



البنك الأهلي اليمني

National Bank Of Yemen

Trust & Experience الخبرة والثقة

NATIONAL BANK OF YEMEN
Aden, Republic of Yemen

AUDITED FINANCIAL STATEMENTS
For the Year Ended 31 December 2023



NATIONAL BANK OF YEMEN

ADEN, REPUBLIC OF YEMEN

THE AUDITED FINANCIAL STATEMENTS AND THE INDEPENDENT AUDITORS' REPORT ON THEM
FOR THE YEAR ENDED 31 DECEMBER 2023

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INDEPENDENT AUDITOR'S REPORT

TO H.E. MINISTER OF FINANCE

ON BEHALF OF NATIONAL BANK OF YEMEN

ADEN, REPUBLIC OF YEMEN

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

The Qualified Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standard Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Basis for the Qualified Opinion

As indicated in note (19-4-1) of the notes to the financial statements, it is evident that:

1. No provision was made for Bank of Beirut – Beirut in the original currency of the accounts. While the account currencies of Bank of Beirut – Beirut were in US Dollars, Euros, and Saudi Riyals, the provision was recorded in Yemeni Rials. This contradicts International Accounting Standards. It should also be noted that the provision amount may not be sufficient to cover the expected losses.
2. As stated in Note (22-4) of the accompanying notes to the financial statements, it is evident that, pursuant to Board Resolution No. (96) for the year 2023, the following was recorded:
 - Under the contents of the "Debtors and Other Assets" account, a sub-account titled "Claims with Others (Government – Central Bank)" appeared, with a debit balance of YER 38,140,958. This amount represents the net result of debit and credit movements recorded under this claims account with others (Government – Central Bank).
 - An amount of USD 18,838,750 was recorded, representing the bank's claim against the government in exchange for selling the mentioned amount to the Oil Company to settle the value of petroleum derivatives, based on an exchange rate of YER 215/USD. The entry was recorded under the "Debtors and Other Assets" account. The claim was retroactively re-entered using the 2023 exchange rate (YER 1,529.40/USD), while the corresponding credit entry was made in favor of the government based on the historical exchange rate at the date of the transaction (YER 215/USD). This procedure had an impact on the currency position.
 - An amount of EUR 7,000,000 was recorded, representing the bank's claim against the Central Bank of Yemen – Aden, in return for importing foodstuffs and medical supplies carried out by the bank on behalf of the Central Bank of Yemen – Aden. The entry was recorded under the "Debtors and Other Assets" account. The claim was retroactively re-entered using the 2023 exchange rate (YER 1,688/EUR), while the corresponding credit entry was made in favor of the Central Bank of Yemen – Aden based on the historical exchange rate at the date of the transaction (YER 215.50/USD). This procedure had an impact on the currency position.
 - An amount of USD 2,500,000 was recorded, representing the bank's claim against the Central Bank of Yemen – Aden, in return for executing a foreign currency sale operation to citizens for the purpose of overseas medical treatment for critical illnesses, as per the instructions of the Central Bank of Yemen, at a selling rate of YER 250.25/USD. The entry

- was recorded under the "Debtors and Other Assets" account. The claim was retroactively re-entered using the 2023 exchange rate (YER 1,529.40/USD), while the corresponding credit entry was made in favor of the Central Bank of Yemen – Aden based on the historical exchange rate at the date of the transaction (YER 250.25/USD). This procedure had an impact on the currency position.

We have audited the financial statements of the National Bank of Yemen ("the Bank"), which comprise the statement of comprehensive income for the year ended 31 December 2022 and the related statement of financial position, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the National Bank of Yemen ("the Bank") as at 31 December 2022 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, related local laws and regulations and Central Bank of Yemen instructions.

Emphasis of Matter

We would like to draw attention to the following:

- What is stated in Note 35 of the supplementary notes to the financial statements (Currency Risks), which shows the risks of fluctuations in foreign currencies exchange rates and their impact on significant foreign currency positions, as the closing rate issued by the Central Bank of Yemen/ Aden was followed in presenting transactions in foreign currencies during the year, as well as in valuing assets and liabilities of cash nature in foreign currencies as of 31 December 2022. In accordance with the instructions of the Central Bank of Yemen, the Bank conducted a sensitivity analysis of foreign currencies and determined its impact on the financial statements based on the exchange rate in the parallel market and the exchange rate issued by the Central Bank of Yemen, and indicated the impact of the change on the statement of Comprehensive Income. Our opinion is not qualified in this regard.
- As stated in Note 1 of the supplementary notes to the financial statements, the Bank is working in an unfavourable environment that may expose it to incurring losses or losing profit and affect its activities so that it may not be able to provide some of its services to its customers or meet some of its commitments, which raises doubt on Bank's capability to continue business on a going concern basis in the case of continuation of the unstable security and political situations and their different reflections. This requires the Government as the owner of the Bank to take serious measures to address any difficulties the Bank may face in relation to such matters. Our opinion is not qualified in this regard.
- as stated in Notes No. (18) and (20), the concentration of the Bank's credit activity on the Treasury Bills and the Certificates of Deposit, is a matter that is not free of high risks, in light of the difficult circumstances that the Central Bank of Yemen is going through, which requires the Bank's management to diversify its credit activity.
- As stated in Note 31, the legal reserve ratio was amended (raised) from (15%) to (25%), in exchange for reducing the general reserve from (15%) to (5%), according to the decision of the Board of Directors of the Central Bank of Yemen - Aden No. (4/9/2022) and the decision of the Board of Directors of the National Bank of Yemen No. (55) of 2024. It is worth noting that these amendments were made without obtaining the approval of the Minister of Finance, as stipulated in Article No. (10-A) of the Bank's Articles of Association.
- In accordance with the directives of the Central Bank of Yemen - Aden, the bank adopted the foreign exchange rate on January 1, 2023, based on market rates. The monthly closing is based on the monthly publications issued by the Central Bank of Yemen - Aden.

Management and the Board of Directors Responsibilities for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, Prime Minister Decree no. 405 for 2013 on Reorganisation of the National Bank of Yemen and Bank's Articles of Association issued on 5 August 2013, related local laws and regulations and Central Bank of Yemen instructions and, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for The Audit of The Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with the ethical requirements of independence and communicate with them on all relationships and other matters that may reasonably be believed to affect our independence and where relevant protection is possible.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Further to the above and as required by the Prime Minister's Decree No.405 of 2013 on Reorganisation of the National Bank of Yemen and the Bank's Articles of Association issued on 5 August 2013, Law No. 38 of 1998 on Banks, the other related laws and the Central Bank of Yemen instructions, we report the following:

We have obtained all the information we considered necessary for the purposes of our audit,

- The Bank's financial statements have been prepared and comply, in all material respects, with all laws and regulations regulating Bank's business.
- The Bank maintains appropriate accounting records.
- Note 34 to the financial statements of the Bank discloses the significant related parties' transactions. Terms on which these transactions are made and the basis for managing conflicts of interest were clarified.
- We also confirm that based on the information provided to us, nothing has come to our attention that causes us to believe that the Bank has contravened, during the financial year ended 31 December 2023, any provisions of the laws and regulations that regulates the Bank's business that may have a material impact on Bank's activities or financial position.

Aden, on 29 July 2024.

Prof. Dr. Abdulbaset Bagonaid

Member of IASCA

An Independent Member of UC&CS GLOBAL

Registered Licensed Auditor No. 661



NATIONAL BANK OF YEMEN
ADEN, REPUBLIC OF YEMEN

STATEMENT OF COMPREHENSIVE INCOME
For The Year Ended 31 December 2023

	Note	2023	2022
	No.	YR' 000	YR' 000
REVENUES			
Activity Revenues:			
Interest on direct credit facilities to customers, net	4	(21,090,204)	(18,625,558)
Interest on due from banks, net	5	1,724,278	124,323
Commissions and fee income on banking services, net	6	1,564,259	875,824
Interest on certificates of deposit at Central Bank of Yemen	7	6,769,127	5,119,282
Returns from treasury bills		34,169,731	34,353,348
Dividends from investments	8	27,493	13,768
Gain on selling and buying foreign currencies		1,359,710	1,359,929
Total Activity Revenues		24,524,394	23,220,916
Other revenues	9	3,221,364	391,431
TOTAL REVENUES		27,745,758	23,612,348
EXPENSES			
Employees' related expenses	10	(12,626,840)	(10,149,569)
General and administration expenses	11	(3,590,736)	(1,876,580)
Other expenses	12	(8,788,105)	(5,145,845)
TOTAL EXPENSES		(25,005,681)	(17,171,994)
Re-translation differences on balances in foreign currencies	13	(1)	(44)
PROFIT FOR THE YEAR BEFORE ZAKAT AND INCOME TAX		2,740,076	6,440,309
Zakat	14	(825,000)	(500,000)
PROFIT FOR THE YEAR AFTER ZAKAT AND BEFORE INCOME TAX		1,915,076	5,940,309
Income tax	15	(383,015)	(1,188,062)
PROFIT FOR THE YEAR AFTER ZAKAT AND INCOME TAX		1,532,061	4,752,247
OTHER COMPREHENSIVE INCOME			
Other comprehensive income for the year		-	-
TOTAL OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	16	1,532,061	4,752,247

The attached notes 1 to 42 form an integral part of these financial statements

Mohsen Saeed Ali AISHABAH
Vice General Manager for
Banking Departments

Dr. Ahmed Ali Omar Bin Sankr
General Manager

Dr. Mohammed Hussein Halboob
Chairman



NATIONAL BANK OF YEMEN

ADEN, REPUBLIC OF YEMEN

STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note No.	2023 YR' 000	2022 YR' 000
ASSETS			
Cash on hand and mandatory reserve balances at Central Bank of Yemen	17	64,856,393	47,644,127
Certificates of deposit at Central Bank of Yemen	18	41,000,000	31,936,503
Due from banks, net	19	314,231,357	82,445,007
Treasury bills, net	20	208,500,000	208,500,000
Direct credit facilities to customers, net	21	22,519,625	8,694,512
Receivables and other assets, net	22	46,171,569	9,176,164
Investments, net	23	1,440,306	417,186
Property, plant and equipment	24	6,688,752	6,658,854
Capital work in progress	25	1,295,899	592,109
TOTAL ASSETS		706,703,900	396,064,463
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks and financial institutes	26	7,069,965	2,395,171
Customers' deposits	27	632,199,738	334,016,034
Payables and other liabilities	28	16,640,058	17,014,218
Other provisions	29	13,343,028	6,719,988
TOTAL LIABILITIES		669,252,789	360,145,412
EQUITY			
Capital paid	30	33,000,000	20,000,000
Reserves	31	3,378,669	15,919,051
Dividends proposed	16-2	1,072,442	0
TOTAL EQUITY		37,451,111	35,919,051
TOTAL LIABILITIES AND EQUITY		706,703,900	396,064,463
CONTINGENT LIABILITIES, COMMITMENTS AND CONTRA ACCOUNTS, NET	32	77,665,991	12,043,501

The attached notes 1 to 42 form an integral part of these financial statements

Mohsen Saeed Ali AlShabahl
Vice General Manager for
Banking Departments

Dr. Ahmed Ali Omar Bin Sankr
General Manager

Dr. Mohammed Hussein Halboob
Chairman

NATIONAL BANK OF YEMEN
ADEN, REPUBLIC OF YEMEN

STATEMENT OF CHANGES IN EQUITY
As at 31 December 2023

	Capital paid	Reserves YR'000	Dividends proposed YR'000	Total YR'000
Balance at 1 January 2023	20,000,000	15,919,050	-	35,919,050
Comprehensive income				
Profit for the year before Zakat and income tax	-	-	2,740,076	2,740,076
Zakat	-	-	(825,000)	(825,000)
Income tax	-	-	(383,015)	(383,015)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	1,532,061	1,532,061
Transactions with owner				
Transfer to capital from Government's share in profit for the year retained (Note 28-3):	13,000,000	(13,000,000)	-	-
Statutory reserve (Note 31-1)	-	383,015	(383,015)	-
General reserve (Note 31-2)	-	76,603	(76,603)	-
Total transaction with owner	-	-	-	-
Total transaction with owner	13,000,000	(12,540,382)	(459,618)	-
Balance at 31 December 2023	33,000,000	3,378,668	1,072,442	37,451,111
Balance at 1 January 2022	20,000,000	14,493,376	5,058,812	39,552,188
Comprehensive income				
Profit for the year before Zakat and income tax	-	-	6,440,309	6,440,309
Zakat	-	-	(500,000)	(500,000)
Income tax	-	-	(1,188,062)	(1,188,062)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	4,752,247	4,752,247
Transactions with owner				
Transfer to capital from Government's share in profit for the year retained (Note 28-3):	-	-	-	-
Prior year dividends (Note 16-2)	-	-	(5,058,812)	(5,058,812)
Automation Project revaluation Reserves ("BANKS" System)	-	-	-	-
Transfer from profit for the year to:				
Statutory reserve (Note 31-1)	-	712,837	(712,837)	-
General reserve (Note 31-2)	-	712,837	(712,837)	-
Total transaction with owner	-	-	(3,344,572)	(3,344,572)
Total transaction with owner	-	1,425,674	(9,829,058)	(8,403,384)
Balance at 31 December 2022	20,000,000	15,919,050	-	35,919,051

The attached notes 1 to 42 form an integral part of these financial statements.

Mohsen Saad Ali AlShabahi
Vice General Manager for
Banking Departments

Dr. Ahmed Ali Omar Bin Sankr
General Manager

Dr. Mohammed Hussein Halboob
Chairman

NATIONAL BANK OF YEMEN
ADEN, REPUBLIC OF YEMEN

STATEMENT OF CASH FLOWS
For the Year Ended 31 December 2023

	2023 YR 000	2022 YR 000
OPERATING ACTIVITIES		
Profit for the year after Zakat and income tax	1,532,061	4,752,247
Adjustments for the following:		
Depreciation of property, plant and equipment	747,553	729,096
Provisions:		
Re-translation differences on balances in foreign currencies	102,851	195,012
Made	1,053,575	1,342,906
Written back	(181,027)	(366,673)
Written off	0	0
Operating Profit Before Changes in Banking Assets and Liabilities Related to Operating Activities	3,255,013	6,652,588
CHANGES IN BANKING ASSETS		
Mandatory reserve balances at Central Bank of Yemen	(27,388,225)	(6,916,714)
Due from banks maturing in over than three months		
Direct credit facilities to customers before provision for impairment but after suspended interest	(25,929,721)	(614,962)
Receivables and other assets	(36,995,405)	(154,881)
Net decrease / (increase) in banking assets	(90,313,351)	(7,686,557)
CHANGES IN BANKING LIABILITIES		
Due to banks and financial institutes	4,674,794	(84,047)
Customers' deposits	298,183,704	(1,850,661)
Payables and other liabilities	(374,160)	6,353,882
Net increase in banking liabilities	302,484,338	4,419,174
Net Cash Flows from Operating Activities (1)	215,426,000	3,385,205
INVESTING ACTIVITIES		
Treasury bills maturing in over than three months		
Investments	(1,023,120)	(60,626)
Additions to property, plant and equipment	(777,449)	(141,515)
Capital work in progress	(703,790)	(455,369)
Net Cash Flows (Used In) Investing Activities (2)	(2,504,359)	(657,510)
FINANCING ACTIVITIES		
Dividends proposed	4,752,247	(9,811,059)
Capital increase	13,000,000	-
Net Cash Flows (Used In) / From Financing Activities (3)	17,752,247	(9,811,059)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (1+2+3)	230,673,888	(7,083,364)
Cash and cash equivalents at 1 January	135,951,924	143,035,288
CASH AND CASH EQUIVALENTS AT 31 DECEMBER (Note 33)	366,625,812	135,951,924

The attached notes 1 to 42 form an integral part of these financial statements.

Mohsen Saeed Ali AlShabahi
Vice General Manager for

Dr. Ahmed Ali Omar Bin Sank
General Manager

Dr. Mohammed Hussein Halboob
Chairman

1. BACKGROUND

1.1. Incorporation

The National Bank of Yemen (the Bank) was incorporated in Aden in 1969 in accordance with Law No. 37 of 1969 that is amended by Law No. 36 of 1972 which both got cancelled in accordance with provisions of Law No. 22 of 1997 on Commercial Companies, Law No. 8 of 1998 on Banks and Law No. 21 of 1996 on Islamic Banks amended by Law No. 16 of 2009.

The Bank's status was amended in accordance with Prime Minister Decree No. 405 of 2013 on Reorganisation of the National Bank of Yemen issued on 5 August 2013, upon which the Article of Association of National Bank of Yemen was issued, as until that date it was operating in accordance with Law No. 35 of 1991 on Authorities, Corporations and Public Companies.

The Bank is wholly owned by the Yemeni State and is registered under commercial registration number 1748 and in Chamber of Commerce under no. 2404. It enjoys a corporate personality of a financial and administrative independency and is subject to supervision of the Minister of Finance in accordance with Article No. 3 of Prime Minister Decree No. 405 of 2013 on Reorganisation of the National Bank of Yemen.

The Bank's Head Office and legal place is located in Aden City and it can establish branches, agencies or offices inside or outside the Republic upon a license from Central Bank of Yemen after the approval of National Bank of Yemen Board of Directors in accordance with Article No. 4 of the same Decree.

1.2. Activity

The Bank is one of the biggest Yemeni commercial banks and is a primary contributor in the economic and social development in Yemen. It provides banking services to individuals and companies and treasury and investment management. The Bank's Head Office is located in Queen Arwa Street and its postal address is P. O. Box 5, Crater, Aden, Republic of Yemen.

1.2.1. The Year Ended 31 December 2023

During the year, the Bank continued doing business through its Head Office in Aden City and its branches in a number of governorates of the Republic of Yemen under the management of a Board of Directors of 8 members headed by Dr. Muhammad Hussein Halboub - Chairman, appointed under Republican Decree No. 12 of 2017 dated 28 January 2017, and an executive management team headed by Dr. Ahmed Ali Omar bin Sankar- General Director, appointed under Prime Minister Resolution No. 7 of 2017 dated 29 January 2017.

During the period from January 5, 2023 to December 25, 2023, the Board of Directors held 11 regular, extraordinary, and annual meetings. As of December 31, 2023, the number of branches operating under the authority and control of the Bank's Head Office in Aden totaled 25 commercial branches and 3 offices, employing 966 staff members — 954 permanent and 12 contractual (December 31, 2020: 25 commercial branches, 3 offices, and 875 employees — 862 permanent and 13 contractual). The number of branches that continued to operate but remained outside the authority and control of the Bank's Head Office in Aden totaled three branches — Sana'a Branch, Hodeidah Branch, and the Islamic Banking Branch, employing 98 staff members — 90 permanent and 8 contractual, as of July 2019 (December 31, 2020: 3 branches and 98 employees — 90 permanent and 8 contractual, as of July 31, 2019)

1.2.2. Significant Events

- *Inaugurating the Modern Banking "BANKS" System*

On 2 February 2020, the Bank's Head Office - Aden inaugurated the "Go Live" stage of the "BANKS" System at the Bank's Head Office and the two branches Al-Aydarous and Queen Arwa in conjunction with the 50th memorial of establishing the Bank and were followed by Little Aden Branch on 1 November 2020. In the year 2021, the System was inaugurated in 8 branches. In 2022, work was launched in 5 branches. The implementation of this project comes in accordance to an agreement signed on 22 May 2017 with ICSFS, Amman - Jordan for the purchase, supply of systems and programs, application and training for "Banks" System. The tender was awarded to the company according to the Higher Tender Committee Resolution No. 61 of 2014 for the implementation of Part Two of Bank's Development and Modernization Project - Installing and Operating Information Technology Equipment and Programs which the Bank is implementing, self-financed, with the aim of enhancing the Bank's efficiency and competitiveness and maximizing profitability. The Bank had signed a contract with an international consulting firm on 20 December 2006 to implement the first part of the Project.

NATIONAL BANK OF YEMEN
SUPPLEMENTARY NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 31 December 2023

- Management Approval on Bank's Audited Financial Statements for the Year Ended 31 December 2022

On October 1, 2024, management approved the audited financial statements of the Bank for the year ended December 31, 2022.

- Year's Results

In the light of continuing political and security instability in the Country since the outbreak of the war in March 2015 and their various repercussions, the deterioration of the local currency rate, the reduction transactions volume locally and abroad, the difficulty of communication with some correspondent banks, the limited opportunities for internal and external investment due to the existing regional and international conditions and the exit of Bank's branches in Sana'a and Al-Hodeida from the authority and control of Bank's Head Office in Aden. Management believes that despite the difficulty to predict the impact of circumstances on the financial statements and management's estimates concerning the fair value of Bank's assets and liabilities and the financial plans prepared for the subsequent period, the Bank will continue in business as a going concern in the foreseeable future. Therefore, the Bank's financial statements were prepared on a going concern basis.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1. New Or Amended Accounting Standards and Interpretations Adopted

The Bank has adopted all of the new or amended Accounting Standards and Interpretations issued by the International Accounting Standards Board ('IASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

2.2. Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') in addition to provisions of Central Bank of Yemen circulars.

Historical Cost Convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of certain classes of property, plant and equipment and financial assets at fair value through other comprehensive income. The Bank does not carry any financial assets or liabilities at fair value through profit or loss.

Critical Accounting Estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

2.3. Discontinued Operations

In June 2019, the Bank's branches in Sana'a and Al-Hodeida (two commercial branches and an Islamic branch) exited out of the authority and control of the Bank's Head Office - Aden. The Bank and the Central Bank of Yemen / Aden published a warning announcement on that regard on 24 and 26 December 2019.

Due to the continuity of those branches in operation under the name and logo of the Bank independently and management's belief that their situation can be resolved in the future, the management did not apply the requirements of IFRS 5- "Non-current Assets Held for Sale and Discontinued Operations" which defines discontinued operations as a component of an entity that has either been excluded or classified as held for sale, and represents major business line operations, a separate geographical area, or part of a single plan coordinated to exclude a line of business, a separate geographical area or a subsidiary facility acquired only with a resale perspective since the definition of the Standard does not apply on the status of those branches.

Therefore, the accounts of the Bank's two commercial branches in Sana'a and Al-Hodeida as at 31 July 2019 are presented, independently, in the notes to the Bank's financial statements, based on the last trial balance obtained by Bank's Head Office- Aden from the two branches dated 31 July 2019, while the accounts of the same branches as in the

NATIONAL BANK OF YEMEN
SUPPLEMENTARY NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 31 December 2023

records of Bank's Head Office -Aden for the period 1 August - 31 December 2019 are presented as suspended accounts balances because the Bank's Head Office -Aden did not obtain any financial reports on them from the two branches. As for the Islamic Branch, which represents an independent entity of the Bank according to the requirements of the Central Bank of Yemen, its balance is presented as at 25 December 2019 which is the date of the last transaction recorded for this branch in the records of the Bank's Head Office -Aden in the light of the fact that this branch did not submit any financial reports to Bank's Head Office -Aden for the period 1 January - 31 December 2019.

2.4. Translation Of Foreign Currencies

- The Bank maintains its accounting records in Yemeni Rial which is the Bank's functional and presentation currency.
- Transactions denominated in foreign currencies or required to be paid in foreign currencies are initially recorded in Yemeni Rial according to exchange rate ruling at date of the transactions.
- All monetary assets and liabilities denominated in foreign currencies at year end are re-translated at exchange rate ruling at reporting date. Non-monetary items measured at historical cost in foreign currencies are re-translated using exchange rate ruling at transaction date. Non-monetary items measured at fair value are re-translated using exchange rate ruling when determining fair value and its recognition in equity. Differences on re-translation of balances in foreign currencies are included in profit or loss.
- The Bank does not deal in forward foreign exchange contracts.

2.5. Revenue Recognition

The Bank recognises revenue from contracts with customers based on a five-step model as set out in 'IFRS 15 – Revenue from Contracts with Customers' as follows:

- | | |
|---------|---|
| Step 1. | Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and set out the criteria for every contract that must be met. |
| Step 2. | Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer to the customer either a good or service (or a bundle of goods or services) that is distinct; or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer. |
| Step 3. | Determine the transaction price: The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. |
| Step 4. | Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the entity will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the entity expects to be entitled in exchange for satisfying each performance obligation. |
| Step 5. | Recognise revenue when (or as) the entity satisfies a performance obligation |

Activity Revenues

Activity revenues of the Bank are represented by revenues of banking activity as determined by Article No. 2-h of Law No. 38 of 1998 on Banks.

The Bank recognizes activity revenues as follows:

- Interest received on direct credit facilities and paid for customers' deposits: on accrual basis using the effective interest rate method which is established on initial recognition of the financial asset / liability and is not revised subsequently. In compliance with Central Bank of Yemen instructions in its circular no. 6 of 1996, the revenue on interest on credit facilities which passed due time three months or more are not recognised until actually collected.
- Commission and fee income on banking services such as issuing letters of credit and letters of guaranty, etc.: when earned.
- Gain on selling foreign currencies: when earned.
- Dividends from investments: when the right of the Bank to receive payment is established.
- Interest on certificates of deposit at Central Bank of Yemen and returns on treasury bills: based on maturity period.
- Interest on due balances from banks: when the right of the Bank to receive payment is established.

Other Revenues

All other revenues are recognised when received or the right to be received is established.

2.6. Employees' Benefits

Regular Leave

An employee is entitled of a regular leave with full salary on each year of actual service that is not less than 30 days. If have passed the age of 50 the employee could obtain a regular leave for 45 days. Eid days and official holidays are not included in the regular leave in accordance with Article No. 53 of Law No. 19 of 1991 on Civil Service. Enjoying this leave is compulsory in year of entitlement and should not accumulate to more than 90 days at maximum in accordance with Article No. 54 of the same law. The amount of the leave is paid in cash to Bank's employees whose duties require continuing to work throughout the year.

Social Insurance

Bank employees' contribution for social insurance is calculated in accordance with Law No. 25 of 1991 on Social Insurance. The Bank deducts this contribution directly from employees' salaries and pays it on their behalf to the General Authority for Insurance and Pensions in accordance with Authority's procedures. Bank's annual contribution in social insurance is included in "employees related expenses".

End of Service Benefits

The Bank provides end of service benefits to it employees since 2015. It is represented by employee's 3 months' salary according to last payroll sheet when retired.

2.7. Leases

Lease contracts entered by the Bank are annual rent contracts to use buildings for Bank's branches and apartments for some of Bank's employees. The Bank recognizes lease payments as an expense in the statement of profit or loss on a straight-line basis over the lease term as permitted by IFRS 16 "Leases".

2.8. Zakat

The Bank pays the amount of Zakat for the year according to the claims of the General Directorate of Zakat Duties / Aden and obtains a clearance letter for the payment for the year. Donations and gifts paid by the decision of the administration are included in the general and administrative expenses.

2.9. Tax

Income Tax on Trade and Industry Profits

The amount of this tax is calculated at 20% in accordance with Law No. 17 of 2010 on Income Tax, its bylaw no. 508 of 2010 and orders effective in the Republic of Yemen and is paid in accordance with Tax Authority procedures.

The Bank does not pay tax on provisions for losses / impairment of direct credit facilities (and suspended interests) and indirect credit facilities it makes in compliance with Central Bank of Yemen instructions in accordance with Article No. 85 of Law No. 38 of 1998 on Banks and Article No. 14-a-2 of Law No. 17 of 2010 on Income Tax.

In accordance with Article No. 19-a of Law No. 17 of 2010 on Income Tax, the Bank, "If the account of one year subject to tax was closed with a loss and it has provided its tax declaration as approved by a licensed chartered accountant based on proper books and accounts, could carry this loss on expenses of the year following the year of loss and deduct it from its profit. If profit is not enough to cover the whole loss, the rest of the loss is to be transferred to the next year and so on until the fifth year of starting the deduction". The provision of this article "does not apply on the losses carried by the Bank in the tax year and prior years, if there is a 100% change in ownership of capital in accordance with Article No. 19-b of the same law.

Payroll Tax

The instead amount of this tax is calculated in accordance with Law No. 17 of 2010 on Income Tax, its bylaw no. 508 of 2010 and orders effective in the Republic of Yemen. The Bank deducts this tax directly from employees' salaries and pays it on their behalf to the Tax Authority in accordance with Authority's procedures.

Other Taxes

Other taxes are calculated in accordance with effective related taxes laws.

Basic Earnings Per Share

Basic earnings per share is calculated by dividing the comprehensive profit for the year by the weighted average number of ordinary shares during the year.

2.10. Profit Distribution

Contrary to the provisions of Article (10-a) of the Bank's Articles of Association, and in response to the Resolution No. 9/4/2022 of the Board of the Central Bank of Yemen – Aden, and pursuant to the Bank's Board Resolution No. 55 of 2024, the net profit after zakat and tax, and in accordance with the Central Bank's directive, shall be distributed as follows:

25%	Statutory reserve;
05%	General reserve;
60%	Government's share in excess of profit;
10%	Employee's incentives as per their activity in accordance with performance reports based on a recommendation of Bank's management and approval of Board of Directors.

2.11. Current And Non-Current Classification

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Bank's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realized within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current. A liability is classified as current when: it is either expected to be settled in the Bank's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

2.12. Cash And Cash Equivalents

Bank's cash and cash equivalents are represented by cash on hand and balances at the Central Bank (except mandatory reserve), current accounts and short-term fixed deposits due from banks and treasury bills and certificates of deposit at Central Bank maturing in three months from its issuance date.

2.13. Mandatory Reserve with Central Bank of Yemen

This reserve represents the minimum limit of balances the Bank has to maintain at Central Bank of Yemen against customers' deposits at the Bank in local currency and foreign currencies and is calculated on the basis of the average deposit balances during the week at 7% on deposits in local currency and 20% on deposits balances in foreign currencies in accordance with Central Bank of Yemen circular no. 4 of 2009 on Weekly Reporting on Calculating the Mandatory Reserve on Deposits. The percentage of this reserve on all deposits in foreign currency with the bank has been reduced to 10% in accordance with Article No. 1 of the Governor of the Central Bank of Yemen Decision No. 3 of 2011 regarding the reserve in foreign currencies. The Central Bank does not give interest on this reserve and it is not available for the Bank's daily use.

2.14. Certificates of Deposit at Central Bank of Yemen

These accounts represent a public debt instrument subscribed at Central Bank of Yemen. They are stated at nominal value and revenue on them is defined by the period of maturity, interest rate and commission as determined by Central Bank of Yemen / Aden.

2.15. Treasury Bills

These accounts represent a public debt instrument issued by the Central Bank of Yemen on behalf of the Ministry of Finance. They are stated at net value and revenue on them is defined by the period of maturity and return rate as determined by Central Bank of Yemen/ Aden. Treasury bills which mature in a period not more than three months are considered part of cash and cash equivalents in accordance with Central Bank of Yemen circular no. 2 of 2002 on Rules on Preparation and Presentation of the Financial Statements and Basis of Evaluation of Banks (amended).

2.16. Due From Banks

These accounts are represented by Bank's current accounts and fixed deposits at other banks and are stated at amortised cost. The provision for impairment is calculated using the simplified approach to measure expected credit losses - one stage over the life of the instrument.

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2.17. Direct Credit Facilities

These accounts are represented by short term loans and overdraft facilities to Bank's customers in public and private sectors and individuals. They are stated net of relevant provision for impairment and suspended interest in accordance with Central Bank of Yemen circular no. 2 of 2002 on Rules on Preparation and Presentation of the Financial Statements and Basis of Evaluation of Banks (amended). Impairment of these credit facilities are recognised in accordance with several indicators as defined in Central Bank of Yemen circular no. 6 of 1996, its annex circular no. 5 of 1998 and its annex circular no. 8 of 2015 on Classification of Credit Facilities and the Way to Calculate Required Provisions and Central Bank of Yemen circular no. 2 of 2002 on Rules on Preparation and Presentation of the Financial Statements and Basis of Evaluation of Banks (amended) including the following:

- The amount of difference between the size of customer's deposits and cash flows in his accounts at the Bank and the return due from the debt for a certain period of time;
- The amount the customer is exceeding on the authorised limit of facility granted to him for a certain period of time;
- The period of customer's delay in payment of the debt on agreed instalment or interest; and
- Occurrence of defect in the customer's financial position resulting in negative net equity.

Provision for impairment on these facilities is calculated after deducting suspended interest and cash or bank guarantees of high quality that can get liquefied in a short term in same currency of direct credit facility in accordance with rates determined by the relevant Central Bank of Yemen circulars.

The Bank applies the requirements of IFRS 9 - Financial Instruments since 1 January 2018, in line with the Central Bank of Yemen circulars regarding direct credit facilities issued in prior periods due to not obtaining any instructions or circulars issued by Central Bank of Yemen on IFRS 9 - Financial Instruments, as follows:

- Stages of impairment recognition:

Impairment stages	Exposure to credit risk	Default payment indicator	Recognition of expected credit loss
First	Not materially high since initial recognition or of low credit risk	Less than 30 days	For 12 months
Second	Materially high since initial recognition or no subjective evidence of impairment	30 days and less than 90 days 90 days and less than 180 days 180 days and less than 360 days	For debt life
Third	There is subjective evidence of impairment	360 days or more	For debt life

- Credit classification categories and provision type:

Impairment stages	Credit classification category	Provision rate	Provision type
First	Performing	2%	General
Second	Underperforming-1: Under watch	2%	Specific
	Underperforming-2: Substandard	15%	
	Underperforming-3: Doubtful	45%	
Third	Impaired	100%	Specific

- Suspended interest (uncollected interest): The Bank includes the interest on direct credit facilities that have passed due three months or more and not been paid marginally under suspended interest. They are not carried to customers' accounts receivable and are not credited to profit or loss unless collected and after the principal has been collected.

2.18. Receivables

These accounts are mainly represented by amounts due to the Bank from its employees or other entities and are presented at amortised cost. The provision for impairment is calculated using the simplified approach to measure expected credit losses - one stage over the life of the instrument.

2.19. Investments

The Bank holds investments at fair value through other comprehensive income represented by shares in capital of financial and commercial entities not exceeding 17% from the capital of any if them. These accounts are stated at fair value including purchase price and costs associated with their acquisition. Changes in fair value are recognized, upon notice from the investment entity, in other comprehensive income and then transferred to the related reserve. The Bank provides for impairment when it is not possible to receive dividends and the investment is incurring accumulated losses in accordance with the latest available financial statements of investment.

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2.20. Property, Plant and Equipment

Bank's lands and buildings are stated at revaluation amount. Plant and equipment are shown at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the asset's items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected productive lives using the rates set forth in the Council of Ministers Resolution No. 144 of 1999 on this regard as shown below:

Item	Depreciation Rate
Buildings	2%
Vehicles	20%
Furniture and equipment – safes	10-2%
Swift and computer hardware and software	20%
Land	Not depreciated
Improvements to leasehold property	Years of lease or estimated useful life whichever is lower.

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Bank. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Bank's lands and buildings are revalued with the help of an independent advisory firm every five years since 2007 in the light of the situation the Country is going through. The recognition of re-valuation results and their inclusion in the Bank's records require the approval of the Central Bank of Yemen.

2.21. Capital Work in Progress

These assets are represented by construction and procurement projects relevant to the Bank whose implementation has started but not been completed, yet, as at reporting date. It is stated at cost which includes all related expenses such as professional fees and amounts paid to developer or implementer. It is transferred to property, plant and equipment and becomes subject to depreciation or to the appropriate account when ready for use.

2.22. Due to Banks and Financial Institutes

These accounts are represented by fixed deposits and current accounts of other banks and financial institutions at the Bank.

2.23. Customer Deposits

These accounts are mainly represented by current accounts, saving accounts and fixed deposits of Bank's clients in public and private sectors and individuals.

2.24. Payables

These accounts are mainly represented by amounts due from the Bank to its employees or other entities.

2.25. Other Provisions

Other than the provisions made by the Bank for impairment of financial and non-financial assets, the Bank recognises other provisions when it has an obligation (legal or constructive) arising from a past event, and the Bank may be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

2.26. Fair Value Measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market. Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic

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best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement. For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Fair Value of Investments

Year	Level one YR'000	Level two YR'000	Level three YR'000	Total YR'000
2023	-	-	356,560	356,560

2.27. Reserves

Statutory Reserve and General Reserve

In accordance with Article No. 10-2 of Bank's Article of Association, the Bank has to maintain a statutory or general reserve or both together until reserve balance is double the authorised capital for the Bank. The Bank has to stop deducting and calculating reserve when reaching such limit.

Such percentage could be increased upon the recommendation of management, approval of the Board of Directors and acceptance of the Minister. In accordance with Article No. 10-3 of the Bank's Article of Association the Bank may use the general reserve to increase capital or develop Bank's activities and raise its efficiency, based on Bank's management recommendation and Board of Directors and Minister approval.

Surplus on Revaluation of Property, Plant and Equipment Reserve

This reserve includes the difference between fair value and book value of Bank's lands and buildings which were revalued for the first time on 1 December 1999 effective as at 31 December 1999 by an independent specialised firm. In accordance with IAS 16, the cost and related accumulated depreciation as at that date were eliminated based on revaluation results and the revaluation amount has been considered the new gross book carrying amount. Surplus was added to this reserve.

Cumulative Change in Fair Value Reserve

This reserve includes the cumulative net change in the fair value of Bank's investments at fair value through other comprehensive income that are still recognised in the Bank's financial statements. This reserve is maintained until these investments are sold, disposed or impaired. Fair value gains or losses in this reserve represent non-distributable profits and it is part of restricted equity, which also includes share capital and revaluation reserve.

2.28. Contingent Liabilities, Commitments and Contra Accounts

These accounts are represented by contractual amounts for the purpose of providing funds to a customer when necessary. They are not included in the statement of financial position as they are not actual assets or liabilities of the Bank at the reporting date but get converted from a contingent liability to a direct obligation in the future and the Bank is obliged to pay the amounts due on behalf of the customer, only, when the customer defaults on the terms of the contract. These accounts are stated at unamortised value (net value after deducting the corresponding cash security) in accordance with the Central Bank of Yemen circular no. 2 of 2002 on Rules on Preparation and Presentation of the Financial Statements and Basis of Evaluation of Banks (amended).

Indirect Credit Facilities

These accounts are represented by local and foreign letters of guaranty and letters of credit - import and export. The Bank makes general or specific provisions for the value not covered with cash security of all these accounts in compliance with the requirements of IFRS 9- Financial Instruments on the 'expected credit loss' model.

Other Contingent Liabilities and Commitments

These accounts are represented by accepted securities on suppliers' facilities, re-discounted bills, non-cancellable credit grants or whose cancellation would result Bank incurring significant fines or expenses, commitments for deferred foreign exchange contract and interest rate contracts etc.

Contra Accounts

These accounts are represented by securities that do not entail any contingent liability to the Bank, as the Bank is not a party of, and its responsibility is restricted to the custody of them, such as cheques, bills deposited for collection, bills deposited for insurance and securities deposited for guarantee or as free deposit. These are maintained in regular record books to register value and are reviewed and adjusted in accordance with sound systems and proper control.

2.29. Related Party Transactions

In its normal course of business, the Bank conducts transactions with other entities that fall in the definition of related parties as comprised in the International Accounting Standard 24 - Related Party Disclosures. A related party is a person or entity that is able to control or exercise significant and material influence over the Bank's financial and operating decision-making process. The Bank discloses in its financial statements on transactions made with related parties such as Board of Directors, senior management, their families and companies in which they own 25% or more of its share capital. The Bank deals with related parties at the same basis it deals with others in accordance with provisions of Law No. 38 of 1998 on Banks and interpretation of Central Bank of Yemen in its circular no. 4 of 1999 on Lending Related Parties and Their Related Interest. The pricing policies and terms of these transactions are subject to Bank's management approval. (Note 34).

2.30. Offsetting The Financial Assets and Liabilities

Financial assets and financial liabilities are offset and the resultant net balance is reported in the statement of financial position, if and only if, there is a legally enforceable right to offset the recognised amounts and there is intention for either settlement on a net basis or an asset to be realised and a liability settled simultaneously

2.31. Fiduciary Assets

Assets held in trust are not treated as assets of the Bank. Therefore, they are not included in the financial statements of the Bank.

2.32. Rounding of Amounts

Amounts in this report have been rounded off to the nearest thousand Yemeni Riyal, unless otherwise stated.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of the financial assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. The estimates and associated assumptions are based on historical experience of the Bank and various other factors the Bank believes are reasonable under the circumstances, the results of which form the basis of making the judgments made about the carrying values of assets and liabilities that are not readily apparent from other sources. Therefore, actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on a regular basis.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Key judgment, estimates and assumptions are subject to management approval.

Management Estimates

Estimates considered by Bank's management to have a significant risk of material adjustment in subsequent periods primarily comprise provisions for impairment of direct credit facilities.

When determining the provisions for direct credit facilities, the Bank takes into consideration several factors including: the overall customer's financial position; risk percentage i.e., the ability of the customer to conduct profitable business activities and collect enough income to enable him pay the debt; value of the collateral and possibility of transferring its ownership to the Bank; and cost of settling the debt.

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4. INTEREST ON DIRECT CREDIT FACILITIES TO CUSTOMERS, NET

	2023 YR'000	2022 YR'000
Interest on direct credit facilities to customers (Note 4-1)	1,395,869	710,669
Cost of customers' deposits (Note 4-2)	(22,486,073)	(19,336,227)
	<u>(21,090,204)</u>	<u>(18,625,558)</u>

4.1. Interest on Direct Credit Facilities to Customers

	2023 YR'000	2022 YR'000
Short term loans	1,366,352	542,960
Overdraft facilities	29,517	167,709
	<u>1,395,869</u>	<u>710,669</u>

4.2. Cost of Customers' Deposits

	2023 YR'000	2022 YR'000
Fixed deposits	(18,199,392)	(15,189,112)
Saving accounts	(4,286,681)	(4,147,115)
	<u>(22,486,073)</u>	<u>(19,336,227)</u>

5. INTEREST ON DUE FROM BANKS

	2023 YR'000	2022 YR'000
Foreign banks:		
Fixed deposits	1,724,278	124,323
Current accounts	-	-
	<u>1,724,278</u>	<u>124,323</u>

6. COMMISSIONS AND FEE INCOME ON BANKING SERVICES, NET

	2023 YR'000	2022 YR'000
Commissions and fee income on banking services (Note 6-1)	1,606,250	890,634
Commissions and fee expenses on banking services (Note 6-2)	(41,991)	(14,810)
	<u>1,564,259</u>	<u>875,824</u>

6.1. Commissions and Fee Income on Banking Services

	2023 YR'000	2022 YR'000
Commissions:		
Cheques and money transfer	752,231	310,108
Letters of credit	34,452	7,434
Letters of guaranty	231,922	77,108
Collection policies and export drafts	0	1,427
Fees:		
Fixed deposits	207,046	181,504
Current accounts	40,800	21,568
Postage, fax and swift	7,530	3,942
Others	332,269	287,543
	<u>1,606,250</u>	<u>890,634</u>

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6.2. Commissions and Fee Expenses on Banking Services

	2023 YR'000	2022 YR'000
Commissions - foreign banks	(41,991)	(14,810)
	(41,991)	(14,810)

7. INTEREST ON CERTIFICATES OF DEPOSIT AT CENTRAL BANK OF YEMEN

	2023 YR'000	2022 YR'000
Interest receivable		
Central Bank of Yemen:	6,769,127	5,119,282
	6,769,127	5,119,282

8. DIVIDENDS FROM INVESTMENTS

	2023 YR'000	2022 YR'000
ALUBAF Arab International Bank - Bahrain (Note 8-1)	27,493	13,768
Yemen Mobile Company - Yemen (Note 8-2)	-	-
Arab Financial Services Company - Bahrain (Note 8-3)	-	-
	27,493	13 768

8.1. ALUBAF Arab International Bank - Bahrain

The Bank received dividend distributions for the year 2023 amounting to USD 34,420, based on the latest available financial statements for the investment as of December 31, 2023.

8.2. Yemen Mobile Company - Yemen

During the year ended December 31, 2023, the Bank did not receive any dividend distributions from this investment for the year 2022. It is noted that Yemen Mobile regularly distributes annual dividends; however, for unknown reasons, the company has refrained from disbursing the Bank's share of the annual dividends. The last year in which the Bank received its share of annual profits was 2018.

8.3. Arab Financial Services Company - Bahrain

During the year ended December 31, 2023, the investment did not distribute any dividends for the recent years: 2023, 2022, 2021, 2020, 2019, and 2018. The total unpaid dividend distributions due to the Bank for the period from 2015 to 2017 amount to USD 11,761.

9. OTHER REVENUES

	2023 YR'000	2022 YR'000
Written back provision for:		
Impairment of direct credit facilities (Note 21-2)	177,855	-
Impairment of indirect credit facilities (Note 29-3)	3,172	366,673
Prior year revenues	51,682	-
Surplus cash with tellers'	2,987,455	24,758
Differences in currencies revaluation	1,200	-
	3,221,364	391,431

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10. EMPLOYEES' RELATED EXPENSES

	2023 YR'000	2022 YR'000
Basic salaries and wages	3,710,259	3,312,741
Allowances and benefits	4,296,330	3,018,323
Bonuses and incentives	3,396,730	2,880,785
Employees regular leave (Note 28-1-2)	0	250,000
Bank's contribution in social insurance	238,185	216,818
End of service benefits (Note 28-1-1)	170,418	163,489
Professional Training Fund	56,802	52,560
Qualification and Training (Note 10-1)	758,116	220,602
Prior years expenses (Employees' entitlements)	0	34,251
	12,626,840	10,149,569

10.1. Qualification and Training

	2023 YR'000	2022 YR'000
Academic and professional qualification- Bank:		
External	713,319	189,759
Internal	44,797	30,843
	758,116	220,602

11. GENERAL AND ADMINISTRATION EXPENSES

	2023 YR'000	2022 YR'000
Guarding and security	217,456	454,182
Maintenance and repairs	1,123,094	201,954
Fuel and oil - vehicles and generators	403,377	333,766
Local and abroad transport	436,720	238,494
Electricity and water	128,934	141,718
Advertisement and publishing	152,784	62,261
Postage, communication, swift and internet	299,018	74,240
Stationery and printing	104,752	58,445
Rent	188,577	40,055
Professional and consultancy fees	64,050	26,890
Prescriptions	91,775	17,495
Hospitality and reception	41,553	30,537
Donations and gifts	135,185	49,588
Insurance	137,433	69,653
Information technology	6,877	1,799
Public charges	12,976	7,674
Other	46,175	67,829
	3,590,736	1,876,580

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12. OTHER EXPENSES

	2023 YR'000	2022 YR'000
Provisions made during the year (Note 12-1)	7,339,527	4,236,135
Prior years expenses	379,859	23,351
Depreciation of property plant and equipment (Note 24)	747,553	729,096
Corona Virus epidemic related expenses (Note 12-2)	285,030	131,810
Judicial expenses	25,290	24,153
Others	10,846	1,300
	8,788,105	5,145,845

12.1. Provisions Made During the Year

	2023 YR'000	2022 YR'000
Impairment of direct credit facilities (Note 21-2)	3,345,931	477,249
Contingent claims (Note 29-1)	500,000	500,000
Fees on annual subscription in Bank Deposit Insurance Corporation (12-1-1)	-	365,657
Indirect credit facilities - General (Note 29-3)	7,644	-
Operational risks	-	-
Bank of Beirut – Beirut provision	3,485,952	2,893,229
Capital works provisions	-	-
Differences in currencies revaluation	-	-
	7,339,527	4,236,135

12.1.1. Fees on Annual Subscription in Bank Deposit Insurance Corporation

During the year ended 31 December 2023, the Bank did not receive a claim from the Bank Deposit Insurance Corporation on such fees in accordance with Article No. 16 of Law No. 21 of 2008 on Bank Deposit Insurance Corporation. Therefore, it made an estimated provision on total clients' deposits with the Bank in case of any future claims. The Bank pays these fees in accordance with Article No. 12-2-b of the same law.

13. RE-TRANSLATION DIFFERENCE ON BALANCES IN FOREIGN CURRENCIES

	2023 YR'000	2022 YR'000
Gain on re-translation of debt balances in foreign currencies	-	-
(Loss) on re-translation of credit balances in foreign currencies	(1)	(44)
	(1)	(44)

14. ZAKAT

	2023 YR'000	2022 YR'000
Balance at 1 January	116,031	108 607
Made for the year	825,000	500,000
(Paid) during the year for prior year	(452,541)	(492,573)
Balance at 31 December	488,490	116,031

On December 13, 2023, the Bank obtained a final clearance from the General Department of Zakat Obligations / Aden for the payment of zakat for the year 2023. The General Department of Zakat Obligations shall distribute the shares to the remaining governorates in accordance with the law.

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15. INCOME TAX

	2023 YR'000	2022 YR'000
Balance at 1 January	1,188,062	1,806,719
Made for the year	383,015	1,188,062
(Paid) during the year	(1,188,062)	(1 806, 719)
Balance at 31 December	383,015	1,188,062

16. COMPREHENSIVE INCOME FOR THE YEAR

For the year ended December 31, 2023, the Bank achieved a total comprehensive income (profit surplus) of YER 1,532,061 thousand (2022: comprehensive income of YER 4,752,247 thousand).

16.1. Basic Earnings Per Share

		2023 YR'000	2022 YR'000
Comprehensive income for the year	YR'000	1,532,061	4,752,247
Weighted average number of shares	1000 shares	33,000	20,000
Basic earnings per share	YR	46	238

16.2. Proposed Dividends

	2023 YR'000	2022 YR'000
Balance at 1 January	3,326,573	5,058,812
Comprehensive income for the year	1,532,061	4,752,247
Government's share in prior year's profit- retained (Note 28-3)	(2,851,348)	(4,336,124)
Employees' share in prior year's profit	(475,226)	(722,687)
Balance distributable for the year	1,532,060	4,752,248
Transfer to statutory reserve during the year(%15)	-	(712,687)
Transfer to general reserve during the year (%15)	-	(712,687)
Transfer to statutory reserve during the year (%25)	(383,015)	-
Transfer to general reserve during the year (%5)	(76,603)	-
Balance at 31 December	1,072,442	3,326,574
Proposed dividends for current year:		
Government's share	(919,236)	(2,851,349)
Employees' share	(153,206)	(475,225)
Total proposed dividends	(1,072,442)	3,326,574

17. CASH ON HAND AND MANDATORY RESERVE BALANCES AT CENTRAL BANK OF YEMEN

	2023 YR'000	2022 YR'000
Cash on hand:		
Foreign currencies	6,937,219	14,793,252
Local currency	4,457,236	6,777,162
Total cash on hand	11,394,455	21,570,414
Mandatory reserve balances at Central Bank of Yemen: (Note 17-1)		
Local currency	16,672,221	15,502,913
Foreign currencies	36,789,717	10,570,800
Total mandatory reserve balances at Central Bank of Yemen	53,461,938	26,073,713
	64,856,393	47,644,127

17.1. Mandatory Reserve at Central Bank of Yemen - Local Currency

As at 31 December 2022 the Bank could not obtain a confirmation from Central Bank of Yemen on its mandatory reserve balance. In a subsequent period, the Bank obtained a notice from Central Bank of Yemen/ Aden on a mandatory reserve balance.

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18. CERTIFICATES OF DEPOSIT AT CENTRAL BANK OF YEMEN

	2023 YR'000	2022 YR'000
Certificates of deposit per period		
90 days	0	10,936,503
180 days	37,000,000	21,000,000
360 days	4,000,000	
	<u>41,000,000</u>	<u>31,936,503</u>

19. DUE FROM BANKS, NET

	2023 YR'000	2022 YR'000
Local banks:		
Central Bank of Yemen (Note 19-1)	178,699,253	53,895,704
Other local banks (Note 19-2)	827	436
Total due from local banks	<u>178,700,080</u>	<u>53,896,140</u>
Foreign banks (Note 19-3)	147,592,585	34,300,775
Provision for impairment (Note 19-4)	<u>(12,061,308)</u>	<u>(5,751,907)</u>
	<u>314,231,357</u>	<u>82,445,007</u>

19.1. Central Bank of Yemen

	2023 YR'000	2022 YR'000
Current accounts:		
Foreign currencies	154,992,646	41,493,795
Local currency	21,717,613	11,855,876
Suspended entries for the years 1990 and 1996	0	0
Sana'a and Al-Hodeida Branches	<u>1,988,994</u>	<u>546,033</u>
	<u>178,699,253</u>	<u>53,895,704</u>

19.2. Other Local Banks

	2023 YR'000	2022 YR'000
Commercial current accounts	298	298
Islamic Investment deposits	0	0
Sana'a Branch	<u>529</u>	<u>138</u>
	<u>827</u>	<u>436</u>

19.3. Foreign Banks

	2023 YR'000	2022 YR'000
Current accounts	64,755,928	21,036,347
Fixed deposits	<u>82,836,657</u>	<u>13,264,428</u>
	<u>147,592,585</u>	<u>34,300,775</u>

19.4. Provision for Impairment

	2023 YR'000	2022 YR'000
Bank of Credit and Development – Netherlands	30,778	7,330
Bank of Beirut – Beirut (Note 19-4-1)	12,030,530	5,744,577
Asya Katlim Bank – Turkey	-	-
	<u>12,061,308</u>	<u>5,751,907</u>

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19.4.1. Bank of Beirut – Beirut:

During the year 2023, the Bank made a provision for impairment related to Bank of Beirut – Beirut in the amount of YER 6,285,953 thousand, bringing the total provision as of December 31, 2023 to YER 12,030,530 thousand (2022: YER 5,744,577 thousand).

20. TREASURY BILLS, NET

	2023 YR'000	2022 YR'000
Duration of:		
91 days	133,500,000	133,500,000
364 days	45,000,000	45,000,000
182 days	30,000,000	30,000,000
	208,500,000	208,500,000

The outstanding treasury bills carry a yield ranging from 16.25% to 17%. All yields were received in full up to December 31, 2023 (December 31, 2022: yield ranging from 16.25% to 17%, with the last maturity on June 30, 2023), in accordance with the issuance by the Central Bank of Yemen – Aden.

21. DIRECT CREDIT FACILITIES TO CUSTOMERS, NET

	2023 YR'000	2022 YR'000
Gross direct credit facilities to customers (Note 21-1)	51,523,689	17,927,023
Provision for Impairment (Note 21-2)	(17,320,148)	(5,215,540)
Suspended interest (Note 21-3)	(11,683,916)	(4,016,971)
	22,519,625	8,694,512

21.1. Gross Direct Credit Facilities to Customers

21.1.1. Purposes

	2023			2022 YR'000
	<i>Overdraft facilities YR'000</i>	<i>Short term loans YR'000</i>	<i>Total YR'000</i>	
Personal	-	6,060,953	6,060,953	6,164,377
Commercial	7,050,941	5,625,062	12,676,003	2,919,213
Industrial	7,325	1,805,795	1,813,120	630,386
Services	37,937	462,653	500,590	1,084,110
Others	2,235,855	3,994,729	6,230,584	-
Sana'a and Al-Hodeida Branches:				
Personal	-	297,707	297,707	195,619
Commercial	8,180,337	1,138,101	9,318,438	6,399,197
Industrial	504,970	397,767	902,736	531,897
Others	13,711,673	11,885	13,723,558	2,223
	31,729,037	19,794,652	51,523,689	17,927,023

21.1.2. Beneficiaries

	2023			2022 YR'000
	<i>Overdraft facilities YR'000</i>	<i>Short term loans YR'000</i>	<i>Total YR'000</i>	
Private sector	9,196,844	10,292,670	19,489,513	5,853,220
Bank's employees	-	167,662	167,662	3,772,503
Public sector	135,214	7,464,486	7,599,701	1,158,822
Related parties	-	24,375	24,375	13,542
Sana'a and Al-Hodeida Branches:				
Public sector	16,678,008	2,223	16,680,231	4,364,197
Private sector	5,718,971	1,843,237	7,562,207	2,764,740
	31,729,037	19,794,652	51,523,689	17,927,023

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21.1.3. Currencies

	2023			2022
	<i>Overdraft facilities</i> YR'000	<i>Short term loans</i> YR'000	<i>Total</i> YR'000	YR'000
Local currency	2,067,417	6,208,005	8,275,422	7,922,274
Foreign currencies	7,264,641	11,741,188	19,005,829	2,875,813
Sana'a and Al-Hodeida Branches:				
Local currencies	407,420	675,022	1,082,442	1,082,703
Foreign currency	21,989,559	1,170,437	23,159,996	6,046,234
	<u>31,729,037</u>	<u>19,794,652</u>	<u>51,523,689</u>	<u>17,927,023</u>

21.1.4. Credit Classification

	2023			2022
	<i>Overdraft facilities</i> YR'000	<i>Short term loans</i> YR'000	<i>Total</i> YR'000	YR'000
Performing	125,814	7,412,303	7,538,117	3,510,872
Under performing	57,131	5,424,014	5,481,145	2,473,395
Low value	9,149,113	5,112,876	14,261,989	4,813,820
Sana'a and Al-Hodeida Branches:				
Under performing	-	-	-	-
Low value	22,396,979	1,845,459	24,242,439	7,128,937
	<u>31,729,037</u>	<u>19,794,652</u>	<u>51,523,689</u>	<u>17,927,023</u>

21.2. Provision for Impairment

	2023					2022
	Gross value YR'000	Cash guarantees YR'000	Suspended interest YR'000	Net debt YR'000	Provision YR'000	Provision YR'000
Credit Classification						
Performing	7,538,117	394,186	187	7,143,744	150,231	66,333
Under performing	5,481,145	2,706,659	12,762	2,761,724	800,988	420,353
Impaired	38,504,427	4,139,018	11,670,967	22,694,442	16,368,929	4,728,853
Expected credit loss	-	-	-	-	-	-
Total	<u>51,523,689</u>	<u>7,239,863</u>	<u>11,683,916</u>	<u>32,599,910</u>	<u>17,320,148</u>	<u>5,215,540</u>

For the year ended 31 December 2023 movement of provision for impairment was as follows:

	2023					2022
	General		Specific			YR'000
	Performing YR'000	Under performing YR'000	Impaired YR'000	Expected credit loss YR'000	Total YR'000	YR'000
Balance at 1 January	71,889	414,798	4,728,854	-	5,215,540	5,134,707
Re-translation difference on balances in foreign currencies	-	160,273	8,801,589	-	8,961,861	(793)
(Written off) during the year	-	-	(25,329)	-	(25,329)	(40,627)
(Written back) during the year (Note 9)	-	-	(177,855)	-	(177,855)	(348,173)
Made during the year (Note 12-1)	95,992	208,267	3,041,672	-	3,345,931	470,425
Balance at 31 December	<u>167,881</u>	<u>783,338</u>	<u>16,368,929</u>	<u>-</u>	<u>17,320,148</u>	<u>5,215,540</u>

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21.3. Suspended Interests

	2023 YR'000	2022 YR'000
Balance at 1 January	4,016,971	3 909 800
Re-translation difference on balances in foreign currencies	6,656,428	(4,514)
(Written off) during the year	(66,908)	(115,448)
(Written back) during the year	-	(52,163)
Made during the year	1,077,425	279,296
Balance at 31 December	<u>11,683,916</u>	<u>4,016,971</u>

22. RECEIVABLES AND OTHER ASSETS, NET

	2023 YR'000	2022 YR'000
Revenue receivable from:		
Treasury bills	-	3,867,033
Certificates of deposit	203,178	-
Loans	7,905	5,599
Deposits at foreign banks	265,699	27,731
Islamic Branches' Administration - National Bank of Yemen (Note 22-1)	1,591,739	1,575,011
Operational risk (Note 22-2)	962,663	845,044
Entries under settlement	18,517	14,580
Prepayments	1,129,463	1,183,665
Property acquired by the Bank against impaired debts (Note 22-3)	16,934	16,934
Stationery and publication inventory	18,944	7,993
Advances with branches	9,942	15,294
Inter-branch accounts	328,147	-
Others	3,059,747	1,290,702
Claims on other (government - central bank)	38,140,958	-
Sana'a and Al-Hodeida Branches:		
Prepayments	89,022	32,495
Advances with branches	57,563	19,155
Stationery and publication inventory	99	99
July 2019 result	134,427	134,427
Others	186,141	54,397
Operational risks (embezzlement/ deficit)	251,909	65,884
Suspended accounts:		
Accounts for the period August- December 2019 (Note 22-4)	1,000,774	888,434
Mutual account- Sana'a Branch September 2019	125,600	125,600
Total receivables and other assets	<u>47,599,370</u>	<u>10,170,080</u>
Provision for impairment (Note 22-5)	<u>(1,427,802)</u>	<u>(993,916)</u>
	<u><u>46,171,569</u></u>	<u><u>9,176,164</u></u>

22.1. Islamic Branches' Administration - National Bank of Yemen

The amount represents the balance of Islamic Branch of the Bank in Sana'a due to Bank's Head Office– Aden as at 25 December 2019 after re-translation of balances in foreign currencies which stopped communication with Bank's Head Office– Aden in June 2019 (Note 2-3). It includes employees' related expenses and general and administration expenses. The Bank officially opened this Branch on 16 April 2017 as a nucleus for an Islamic transaction department in accordance with a final

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license from the Central Bank of Yemen to open the Islamic Branch dated 10 March 2015, based on the initial approval granted to the Bank of number 7139 dated 18 December 2014, in response to the Bank's Board of Directors Resolution No. 33 of 2009 issued on 17 March 2009 on the Committee for the Preparation and Study of Establishing a Branch for Islamic Transactions recommendation and H.E. Minister of Finance approval on this resolution dated 1 April 2009.

22.2. Operational Risk

This account is represented by cash losses due to work errors and embezzlement as well as looted cash from Bank branches in armed conflict areas. Management follows up with recovering collectible amounts along with taking necessary legal procedures and has made provisions for.

22.3. Property Acquired by the Bank Against Impaired Debts

The Bank maintains, in this account, a property that it had as a collateral and then acquired it against impaired debts. In compliance with Article No. 73 of Law No. 38 of 1998 on Banks, management follows up with addressing this account, which more than five years has passed on without being disposed due to the situation the Country is going through.

22.4. Accounts of the Period August- December 2019

	2023 YR'000	2022 YR'000
Sana'a Branch:		
Debit transactions	114,754,980	114 754 980
Credit transactions	(113,906,333)	(113 906 333)
Balance	848,647	848 647
Al-Hodeida Branch:		
Debit transactions	165,589	43 308
Credit transactions	(13,462)	(3 521)
Balance	152,127	39 787
	1,000,774	888 434

22.5. Provision for Impairment

	2023 YR'000	2022 YR'000
Embezzlement funds allocation	1,217,747	968,916
Operational risk	185,055	
Al-Towahi Branch taken over -2014	25,000	25,000
	1,427,802	993,916

23. INVESTMENTS, NET

	2023 YR'000	2022 YR'000
Foreign investments (Note 23-1)	2,070,425	536,794
Local investments (Note 23-2)	678,940	222,764
	2,749,365	759,557
Provision for low value (Note 23-3)	(1,309,059)	(342,372)
	1,440,306	417,186

23.1. Foreign Investments

	2023 YR'000	2022 YR'000
ALUBAF Arab International Bank - Bahrain (Note 23-1-1)	1,052,839	275,360
Holding Company UBAC Curacao N V- Curacao (Note 23-1-2)	691,319	180,808
Arab Financial Services Company - Bahrain (Note 23-1-3)	326,267	80,626
	2,070,425	536,794

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23.1.1. ALUBAF Arab International Bank – Bahrain

The Bank subscribed to this investment according to Investment Certificate No. (40) issued on December 31, 1991, with a value as of December 31, 2023, amounting to USD 688,400, representing 13,768 shares at a par value of USD 50 per share (December 31, 2022: USD 688,400).

23.1.2. Holding Company UBAC Curacao N V- Curacao

The Bank subscribed to this investment in accordance with Investment Certificate No. (15) dated September 23, 1991, with a value as of December 31, 2023, amounting to USD 452,020, representing 45,202 shares at a par value of USD 10 per share (December 31, 2022: USD 452,020).

23.1.3. Arab Financial Services Company – Bahrain

The Bank subscribed to this investment in accordance with Investment Certificate No. (41) dated August 1, 1984, with a value as of December 31, 2023, amounting to USD 213,330, representing 42,666 shares (December 31, 2022: USD 213,330, representing 42,666 shares). The Bank has not received the investment certificate related to the new subscription, and the investment has not distributed dividends since 2018.

23.2. Local Investments

	2023 YR'000	2022 YR'000
Yemen Financial Services Company –Yemen (Note 23-2-1)	617,740	161,564
Yemen Mobile Company-Yemen (Note 23-2-2)	61,200	61 200
	678,940	222,764

We have not seen the Board of Directors' resolutions regarding the termination and write-off of the investment in Al Amal Microfinance Bank and the investment in Aden Microfinance Foundation. These investments were written off, and their balances were closed in the provisions accounts that were previously formed for this purpose.

23.2.1. Yemen Financial Services Company - Yemen

The Bank has subscribed in this investee in accordance with investment certificate no. 1 which original of was received on 24 May 2006. Its value as at 31 December 2022 amounted USD 403,910 representing 3,107 shares of value USD 130 per share, after the share value was raised from USD 100 to USD 130 in 2020 based on the investee's General Assembly Resolution to increase investment by USD 93,210 supplied to the investee's account at the International Bank (31 December 2021: USD 403,910).

23.2.2. Yemen Mobile Company - Yemen

The Bank subscribed to this investment in accordance with Investment Certificate No. (035246-002) dated September 4, 2007, with a value as of December 31, 2023, amounting to YER 61,200 thousand, representing 120,000 shares with a nominal value of YER 500 per share, in addition to issuance expenses amounting to YER 1,200 thousand, according to the latest letter received by the Bank from the investment dated December 31, 2018 (December 31, 2022: YER 61,200 thousand).

23.3. Provision for Impairment

	2023 YR'000	2022 YR'000
Holding Company UBAC Curacao N V – Curacao	691,319	180,808
Yemen Financial Services Company – Yemen	617,740	161,564
Total provision for impairment	1,309,059	342,372

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24. PROPERTY, PLANT AND EQUIPMENT

	2023 YR'000	2022 YR'000
Swift and computer hardware	2,121,983	2,516,315
Buildings	2,122,024	2,167,406
Land	1,215,282	1,215,282
Furniture and equipment	798,550	580,119
Leasehold improvements	89,838	107,067
Motor vehicles	341,075	72,665
Total property, plant and equipment	<u>6,688,752</u>	<u>6,658,854</u>

Details of these accounts are as follow:

	Land YR'000	Buildings YR'000	Leasehold improvements YR'000	Furniture and equipment YR'000	Motor Vehicles YR'000	Swift and computer hardware YR'000	Total YR'000
Cost / Revaluation							
At 1 January 2023	1 215 282	2,632,294	318,980	1,408,978	351,853	4,002,486	9,929,872
Additions during the year	-	7,666	1,687	320,504	308,188	139,403	777,449
At 31 December 2022	<u>1 215 282</u>	<u>2,639,961</u>	<u>320,667</u>	<u>1,729,482</u>	<u>660,041</u>	<u>4,141,889</u>	<u>10,707,322</u>
At 1 January 2022	1 215 282	2,626,684	318,668	1,353,271	351,853	3,922,599	9,788,356
Additions during the year	-	5,610	312	55,707	0	79,887	141,516
At 31 December 2022	<u>1 215 282</u>	<u>2,632,294</u>	<u>318,980</u>	<u>1,408,978</u>	<u>351,853</u>	<u>4,002,486</u>	<u>9,929,872</u>
Accumulated Depreciation							
At 1 January 2023	-	464,885	211,911	828,861	279,188	1,486,172	3,271,017
Charged for the year	-	53,052	18,918	102,071	39,779	533,735	747,553
At 31 December 2023	<u>-</u>	<u>517,937</u>	<u>230,829</u>	<u>930,932</u>	<u>318,967</u>	<u>2,019,907</u>	<u>4,018,570</u>
At 1 January 2022	-	411 640	190 937	731,923	587 239	967 833	2 541 922
Charged for the year	-	53,245	20,975	96,937	39,600	518,339	729,096
At 31 December 2022	<u>-</u>	<u>464,885</u>	<u>211,911</u>	<u>828,860</u>	<u>279,188</u>	<u>1,486,172</u>	<u>3,271,018</u>
Net Book Value							
At 31 December 2023	<u>1,215,282</u>	<u>2,122,024</u>	<u>89,838</u>	<u>798,550</u>	<u>341,075</u>	<u>2,121,983</u>	<u>6,688,752</u>
At 31 December 2022	<u>1 215 282</u>	<u>2,167,409</u>	<u>107,069</u>	<u>580,119</u>	<u>72,665</u>	<u>2,516,315</u>	<u>6,658,854</u>

Bank's Head Office-Aden maintains all Bank's property, plant and equipment accounts including those of Bank's commercial branches in Sana'a and Al-Hodeida whose book values as at 31 July 2019 was as follows:

	Land YR'000	Buildings YR'000	Leasehold improvements YR'000	Furniture and equipment YR'000	Motor Vehicles YR'000	Swift and computer hardware YR'000	Total YR'000
Net book value	61,478	230,025	5,061	28,433	22,964	8,329	356,290

As of December 31, 2023, management was unable to carry out a revaluation (appraisal) of the Bank's lands and buildings despite administrative measures taken in this regard during the period from August to October 2019, due to prevailing circumstances in the country, including the COVID-19 pandemic (Note 1-2-2). According to the information available to management, there are no indicators of impairment in the value of these assets. Management previously conducted revaluations of the Bank's lands and buildings through an independent specialized consultancy firm as of December 31, 1999, and for the Al-Mukairas building in 2001, the results of which were recorded in the Bank's books. Additional revaluations were performed as of December 31, 2007 and 2012; however, management did not receive any response from the Central Bank of Yemen regarding the inclusion of those revaluation results in the Bank's records.

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25. CAPITAL WORK IN PROGRESS

	2023 YR'000	2022 YR'000
Automation and Technology Project	328,231	394,156
Bank's buildings rehabilitation projects	965,506	120,470
Fixed assets under classification	2,162	77,482
	1,295,899	592,109

25-1 Automation and Technology Project:

The balance of the Automation and Technology Project account as of 31 December 2023 amounted to YER 328,231 thousand against the equipment of branches included in the Automation and Technology Project (Banks System). This requires closing the balance of this account in the fixed assets account with the calculation of the depreciation instalment.

26. DUE TO BANKS AND FINANCIAL INSTITUTIONS

	2023 YR'000	2022 YR'000
Local:		
Central Bank of Yemen- Current Account	1,454	380
Other local banks- Current Accounts	15,580	5,148
Exchange companies (Note 26-1)	4,486,140	1,777,262
	4,503,175	1,782,790
Foreign:		
Banks- Current Accounts	2,564,658	611,393
Exchange companies - Current Accounts	2,132	988
	2,566,790	612,381
	7,069,965	2,395,171

26.1. Local- Exchange Companies

	2023 YR'000	2022 YR'000
Current accounts		
Local currency	3,571,572	1,445,726
Foreign currency	814,251	231,441
Sana'a Branch:		
Local currency	20	20
Foreign currency	298	75
Fixed deposit - Local currency	100,000	100,000
	4,486,140	1,777,262

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27. CUSTOMERS' DEPOSITS

	2023 YR'000	2022 YR'000
Current accounts:		
Customers	224,044,870	113,749,785
Government	2,734,661	715,842
Fixed deposits	230,970,535	130,990,924
Saving accounts	112,408,964	62,484,164
Cash insurance on outstanding indirect credit facilities (Note 27-1)	42,094,254	11,236,265
Payment orders	988,774	366,672
Unclaimed balances (Note 27-2)	656,392	1,101,097
Socotra Branch - Deposits on behalf of Central Bank of Yemen (Note 27-3)	1,342,924	1,072,125
Sana'a and Al-Hodeida Branches:		
Fixed deposits	9,725,910	9,599,653
Current accounts	4,340,773	1,304,814
Saving accounts	2,446,195	1,233,835
Cash insurance on outstanding indirect credit facilities	384,532	107,131
Payment orders	60,955	53,727
	632,199,738	334,016,034

27.1. Cash Insurance on Outstanding Indirect Credit Facilities

As of December 31, 2023, the account includes an amount of YER 817,536 thousand representing cash collateral surplus for import letters of credit. This surplus arises from customers' direct payments of cash collateral to the Central Bank of Yemen for the purpose of foreign currency transactions through correspondent banks. The Bank issues import letters of credit only after receiving the relevant notifications from the Central Bank of Yemen.

27.2. Unclaimed Balances

The Bank maintains in this account, deposits which more than 15 years have passed on without any withdrawal or deposit movement and have not been claimed by their owners. Management monitors and evaluates the status of this account in compliance with Article No. 79-2 of Law No. 38 of 1998 on Banks in the light of the prevailing conditions in the Country (Note 1-2-2).

27.3. Socotra Branch - Deposits on Behalf of Central Bank of Yemen

Bank's branch in Socotra maintains deposits of Government facilities and corporations in accordance with authorisation from Central Bank of Yemen due to absence of Central Bank branch there based on approval from Ministry of Finance dated 20 April 2014 on Central Bank of Yemen memo no. 2346 dated 14 April 2014 in which executive procedures to open budgetary accounts and current accounts (resources and expenses) at National Bank of Yemen branch in Socotra are illustrated, provided that the National Bank of Yemen should comply with rules of executing Government's General Budget and to be under the supervision of Central Bank of Yemen.

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28. PAYABLES AND OTHER LIABILITIES

	2023 YR'000	2022 YR'000
Cash insurance on expired indirect credit facilities	405,977	207,155
Employees' entitlements (Note 28-1)	3,083,805	3,400,444
Accrued interest payable on customers' deposits	3,492,204	3,027,576
Government entities (Note 28-2)	2,262,825	255,085
Government's share in profit for the year retained (Note 28-3)	4,336,125	5,306,836
Accrued expenses	334,754	153,974
Entries under settlement	5,152	1,558
Projects maintenance guarantee	51,898	22,390
Islamic Branches Department - National Bank of Yemen (Note 28-4)	38,952	38,952
Suspended accounts with branches	354,753	357,554
Loan installments- surplus and under settlement	1,193	1,342
Interest and commission received in advance	0	0
Others	1,756,019	3,969,297
Sana'a and Al-Hodeida Branches	0	0
Accrued interest payable on customers' deposits	134,806	134,590
Cash insurance on expired indirect credit facilities	22,253	12,872
Interest and commission received in advance	27,305	11,630
Entries under settlement	1,166	304
Others	23,649	4,600
Suspended accounts:	0	0
Accounts for the period August- December 2019 (Note 28-5)	307,222	108,059
Mutual account- Sana'a Branch September 2019	0	0
	16,640,058	17,014,218

28.1. Employees' Entitlements

	2023 YR'000	2022 YR'000
End of service benefits (Note 28-1-1)	1,237,031	1,066,613
Employees' regular leave (Note 28-1-2)	404,040	581,864
Social security	31,226	38,748
Outstanding commitments:		
Employees share in profit for the year	618,103	1,197,912
Salaries	601,496	382,918
Medication	191,909	132,389
	3,083,805	3,400,444

28.1.1. End of Service Benefits

	2023 YR'000	2022 YR'000
Balance at 1 January	1,066,613	903 124
Made during the year (Note 10)	170,418	163,489
Balance at 31 December	1,237,031	1,066,613

28.1.2. Employees Regular Leave

	2023 YR'000	2022 YR'000
Balance at 1 January	581,864	545 096
Made during the year (Note 10)	-	250,000
(Used) during the year	(177,824)	(213,232)
Balance at 31 December	404,040	581,864

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28.2. Government Entities

	2023 YR'000	2022 YR'000
Tax Authority / Aden - income tax for		
Current year (Note 15)	383,015	0
Prior year	1,252,266	0
Skills Development Fund	138,617	138,617
General Department for Zakat-Dues/ Aden:		
Payable for the year (Note 14)	488,490	116,031
General Authority for Insurance and Pensions / Aden	437	437
	<u>2,262,825</u>	<u>255,085</u>

28.3. Government's Share in Profit for the Year Retained

	2023 YR'000	2022 YR'000
Balance on January 1 - remaining from previous years' profits	5,306,836	1,771,571
(Paid) from profit for prior years 2020	-	(800,860)
(Transferred) from profit for prior years 2021	-	4,336,125
(Transferred) from profit for prior years 2022	2,851,348	-
Transfer from the government's share of 2022 profits to create allocations	(2,851,348)	-
Payment of the government's share of surplus profits for 2020	(970,711)	-
	<u>4,336,125</u>	<u>5,306,836</u>

28.4. Islamic Branches' Department - National Bank of Yemen

The amount represents the value of letters of credit for customers of the Islamic Branch in Sana'a.

28.5. Accounts of The Period August- December 2019

	2023 YR'000	2022 YR'000
Sana'a Branch:		
Credit transactions	1,153,480	297,240
Debit transactions	876,323	227,056
	<u>277,157</u>	<u>70,185</u>
Al-Hodeida Branch:		
Credit transactions	201,596	201,596
Debit transactions	171,531	163,722
	<u>30,065</u>	<u>37,874</u>
	<u>307,222</u>	<u>108,059</u>

29. OTHER PROVISIONS

	2023 YR'000	2022 YR'000
Provision for:		
Contingent claims (Note 29-1)	3,950,000	3,450,000
Indirect credit facilities:		
Specific (Note 29-2)	7,710,998	2,016,738
General (Note 29-3)	585,060	156,278
Fees on annual subscription in Bank Deposit Insurance Corporation	1,096,970	1,096,972
	<u>13,343,028</u>	<u>6,719,988</u>

29.1. Contingent Claims

	2023 YR'000	2022 YR'000
Social insurance	3,950,000	3,450,000
	<u>3,950,000</u>	<u>3,450,000</u>

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29.2. Indirect credit Facilities - Specific

The Bank made a specific provision for Letters of Guaranty - Foreign amounting USD 11,204,100 issued for Public Electricity Corporation which is under disagreement with State Bank of India.

29.3. Indirect credit Facilities - General

	2023			2022	
	<i>Letters of Credit</i>	<i>Letters of Guaranty</i>			
	<i>YR'000</i>	<i>Foreign</i>	<i>Local</i>	<i>Total</i>	<i>Total</i>
		<i>YR'000</i>	<i>YR'000</i>	<i>YR'000</i>	<i>YR'000</i>
Balance at 1 January	-	149,287	6,992	156,279	168,885
Re-translation differences on balances in foreign currencies	-	424,308	-	424,308	(930)
(Written back) during the year (Note 9)	-	(2,362)	(809)	(3,172)	(18,500)
Made during the year (Note 12-1)	-	6,034	1,611	7,644	(6,824)
Balance at 31 December	-	577,267	7,793	585,060	156,279

30. CAPITAL

The Bank's authorized capital amounts to fifty billion Yemeni Riyals, and its paid-up capital amounts to twenty billion Yemeni Riyals, pursuant to Article (5-1) of the Prime Minister's Resolution No. (405) of 2013 concerning the regulation of the Bank, and Article (8) of the Bank's Articles of Association.

As of December 31, 2023, the Bank's paid-up capital reached YER 33 billion (December 31, 2022: YER 20 billion) following the transfer of YER 13 billion from reserves (YER 7,200,000 thousand from the legal reserve and YER 5,800,000 thousand from the general reserve), in response to the Central Bank of Yemen – Aden Board Resolution No. 9/4/2022 and the Bank's Board Resolution No. 55 of 2024.

Details of Bank's paid capital is as follows:

	2023			2022	
	<i>Share value</i>	<i>No. of</i>	<i>Capital</i>	<i>No. of</i>	<i>Capital</i>
	<i>YR</i>	<i>shares</i>	<i>YR'000</i>	<i>shares</i>	<i>YR'000</i>
Paid capital	1,000	33,000,000	33,000,000	20,000,000	20,000,000

31. RESERVES

	2023	2022
	<i>YR'000</i>	<i>YR'000</i>
Statutory reserve (Note 31-1)	1,231,164	8,048,149
General reserve (Note 31-2)	840,128	6,563,525
Surplus on revaluation of property, plant and equipment reserve (Note 31-3)	1,257,287	1,257,287
Cumulative change in fair value reserve (Note 31-4)	50,091	50,091
Total reserves	3,378,669	15,919,052

31.1. Statutory Reserve

	2023	2022
	<i>YR'000</i>	<i>YR'000</i>
Balance at 1 January	8,048,149	7,335,311
used in capital appreciation	(7,200,000)	-
Transfer from profit for the year	383,015	712,838
Balance at 31 December	1,231,164	8,048,149

31.2. General Reserve

	2023	2022
	<i>YR'000</i>	<i>YR'000</i>
Balance at 1 January	6,563,525	5,850,687
Transfer from profit for the year	(5,800,000)	712,838
used in capital appreciation	76,603	-
Balance at 31 December	840,128	6,563,525

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31.3. Surplus on Revaluation of Property, Plant and Equipment Reserve

This reserve includes surplus on revaluation of Banks Land and buildings as at 1999 amounting YR'000 637,093 and of Al-Mukairas building at August 2001 amounting YR'000 2,669. In addition to the revaluation of the automation system ("BANKS" System) amounting YR'000 617,524.

31.4. Cumulative Changes in Fair Value Reserve

In this reserve, the changes in the fair value of Arab Financial Services Company - Bahrain, ALUBAF Arab International Bank – Bahrain and Yemen Financial Services Company - Yemen during the years 2002 to 2012 are included.

32. CONTINGENT LIABILITIES, COMMITMENTS AND CONTRA ACCOUNTS, NET

	2023			2022
	Gross value YR'000	Guarantee YR'000	Net value YR'000	Net value YR'000
Indirect credit facilities:				
Letters of guaranty – Local	1,250,705	(891,776)	358,928	337,964
Letters of guaranty - Foreign	10,281,241	(4,281,075)	6,000,166	1,467,297
Letters of credit – Import	35,890,975	(36,921,402)	(1,030,427)	(266,875)
Letters of credit – Export	-	-	-	-
Sana'a and Al-Hodeida Branches:				
Letters of guaranty – Local	41,106	(10,383)	30,723	30,723
Letters of guaranty – Foreign	38,894,777	(374,149)	38,520,628	10,045,364
Letters of credit – Export	215,769	-	215,769	56,432
	86,574,573	(42,478,785)	44,095,788	11,670,905
Others	33,570,203	-	33,570,203	372,596
	120,144,777	(42,478,785)	77,665,991	12,043,501

33. CASH AND CASH EQUIVALENTS

	2023 YR'000	2022 YR'000
Due from Banks maturing in not more than 3 months (Note -Liquidity risk)	314,231,357	82,445,007
Cash on hand (Note 17)	11,394,455	21,570,414
Certificate of deposit at Central Bank of Yemen (Note- Liquidity risk)	41,000,000	31,936,503
	366,625,812	135,951,924

34. TRANSACTIONS WITH RELATED PARTIES

For the year ended December 31, 2023, transactions with related parties are as detailed below. Management believes that these transactions were conducted on an arm's length basis.

Statement of:	Account	2023 YR'000	2022 YR'000
Comprehensive Income	Interest cost	-	-
	Salaries and benefits	108,032	89,673
Financial Position	Direct credit facilities – loans	31,375	22,486
	Customers' deposits	22,616	38,478

35. RISK MANAGEMENT

The Bank defines risk as the possibility of incurring losses or profits foregone that may be caused by internal or external factors as the Bank is exposed to credit risk, liquidity risk, interest risk and exchange rate risk.

The core functions of the Bank's risk management are identifying all risks that effect the Bank, measuring such risks, managing risk positions and determining capital allocations. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice. The Bank's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance. Risks are managed by Bank's management under policies approved by the Board of Directors which provides written principles for overall risk management,

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as well as written policies covering specific areas, such as credit risk, interest rate risk, currency risk, use of derivative and non-derivative financial instruments. Bank's management determines and hedge financial risks in cooperation with other operating units in the Bank. In addition to this, internal audit department is responsible for the independent review of risk management and the control environment. Risk is inherent in the Bank's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his / her responsibilities.

35.1. Credit Risk

Credit risk is the risk of incurring a financial loss, should any of the Bank's customers or market counterparties fail to fulfill their contractual obligations towards the Bank. Credit risk arises mainly from commercial and consumer direct credit facilities, credit cards and loan commitments arising from such lending activities. It also could arise from credit enhancement provided, such as credit derivatives (credit default swaps), financial guarantees, letters of guaranty, endorsements and acceptances. The Bank is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities ('trading exposures'), including non-equity trading portfolio assets, derivatives and settlement balances with market counterparties and reverse repurchase loans.

Credit risk is the single largest risk for the Bank's business. Therefore, the Bank, carefully manages its exposure to credit risk through assigning credit risk management team to manage and control on credit risk, which reports to the Board of Directors and head of each business unit regularly. The Bank works within the framework of risk management standards stated in Central Bank of Yemen circular no. 10 of 1997 on Standards of Credit Risk Management and performs the following procedures to minimise the credit risk exposure:

- Preparing credit studies on customers and banks before dealing with them and determining their related credit risk rates;
- Obtaining sufficient collateral to minimise the credit risk exposure which may result from financial difficulties facing customers or banks;
- Following up and period reviewing of customers and banks in order to evaluate their financial positions, credit rating and the required provision for non performing credit facilities; and
- Distributing credit portfolio and balances with banks over diversified economic sectors and geographic locations to minimise concentration of credit risk.

Exposure to Credit Risk

The table below shows the maximum exposure of net financial assets and indirect credit facilities to credit risk as at 31 December 2023:

	2023 YR'000	2022 YR'000
Financial Assets	695,309,445	374,494,050
Indirect Credit Facilities	77,665,991	12,043,501
Total exposure to credit risk	772,975,436	386,537,551

• Financial Assets:

	2023 YR'000	2022 YR'000
Treasury bills, net	208,500,000	208,500,000
Certificates of deposit	41,000,000	31,936,503
Due from banks, net	314,231,357	82,445,007
Mandatory reserve balances at Central Bank of Yemen	53,461,938	26,073,713
Receivables and other assets (except for prepayments), net	54,156,220	16,427,129
Direct credit facilities to customers, net	22,519,625	8,694,512
Investments, net	1,440,306	417,186
	695,309,445	374,494,050

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• **Indirect Credit Facilities**

	2023 YR'000	2022 YR'000
Letters of guaranty - Foreign, net	44,520,795	11,512,661
Letters of guaranty - Local, net	389,651	368,687
Letters of credit, net	(814,658)	162,153
Others	33,570,203	
	<u>77,665,991</u>	<u>12,043,501</u>

Managing Credit Risk

The Bank manages concentration of credit risk by distributing the portfolio over diversified economic sectors and geographical locations as possible according to its customers' requirements and the situation the Country is going through.

• **Distribution of Financial Instruments According to Economic Sectors**

	2023				
	Trade YR'000	Industry YR'000	Services YR'000	Others YR'000	Total YR'000
Financial Assets					
Cash on hand and mandatory reserve balances at Central Bank of Yemen	64,856,393	-	-	-	64,856,393
Certificates of deposit at Central Bank of Yemen	41,000,000	-	-	-	41,000,000
Due from banks, net	314,231,357	-	-	-	314,231,357
Treasury bills, net	208,500,000	-	-	-	208,500,000
Direct credit facilities to customers, net	14,006,337	-	449,644	8,063,644	22,519,625
Investments, net	1,440,306	-	-	-	1,440,306
	<u>644,034,393</u>	<u>-</u>	<u>449,644</u>	<u>8,063,644</u>	<u>652,547,681</u>
Financial Liabilities					
Due to banks and financial institutes	7,069,965	-	-	-	7,069,965
Customers' deposits	632,199,738	-	-	-	632,199,738
	<u>639,269,703</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>639,269,703</u>
Contingent Liabilities, Commitments and Contra Accounts, Net	41,500	-	-	77,624,491	77,665,991
	<u>41,500</u>	<u>-</u>	<u>-</u>	<u>77,624,491</u>	<u>77,665,991</u>
	2022				
Financial Assets					
Cash on hand and mandatory reserve balances at Central Bank of Yemen	47,644,127	-	-	-	47,644,127
Certificates of deposit at Central Bank of Yemen	31,936,503	-	-	-	31,936,503
Due from banks, net	82,445,007	-	-	-	82,445,007
Treasury bills, net	208,500,000	-	-	-	208,500,000
Direct credit facilities to customers, net	1,139,455	-	-	7,555,058	8,694,513
Investments, net	417,186	-	-	-	417,186
	<u>372,082,278</u>	<u>-</u>	<u>-</u>	<u>7,555,058</u>	<u>379,637,337</u>
Financial Liabilities					
Due to banks and financial institutes	2,395,171	-	-	-	2,395,171
Customers' deposits	334,016,034	-	-	-	334,016,034
	<u>336,411,205</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>336,411,205</u>
Contingent Liabilities, Commitments and Contra Accounts, Net	41,500	-	-	12,002,001	12,043,501
	<u>41,500</u>	<u>-</u>	<u>-</u>	<u>12,002,001</u>	<u>12,043,501</u>

• **Distribution of Financial Instruments According to Geographical Locations**

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	2023					
	Republic of Yemen YR'000	America and Caribbean YR'000	Europe YR'000	Asia YR'000	Africa YR'000	Total YR'000
Financial Assets						
Cash on hand and mandatory reserve balances at Central Bank of Yemen	64,856,393	-	-	-	-	64,856,393
Certificates of deposit at Central Bank of Yemen	41,000,000	-	-	-	-	41,000,000
Due from banks, net	314,231,357	-	-	-	-	314,231,357
Treasury bills, net	208,500,000	-	-	-	-	208,500,000
Direct credit facilities to customers, net	22,519,625	-	-	-	-	22,519,625
Investments, net	61,200	-	-	1,379,106	-	1,440,306
Total	651,168,575	-	-	1,379,106	-	652,547,681
Financial Liabilities						
Due to banks and financial institutes	4,503,175	-	-	2,566,790	-	7,069,965
Customers' deposits	632,199,738	-	-	-	-	632,199,738
Total	636,702,913	-	-	2,566,790	-	639,269,703
Contingent Liabilities, Commitments and Contra Accounts, Net	198,789	-	-	77,467,203	-	77,665,991
	2022					
Financial Assets						
Cash on hand and mandatory reserve balances at Central Bank of Yemen	47,644,127	-	-	-	-	47,644,127
Certificates of deposit at Central Bank of Yemen	31,936,503	-	-	-	-	31,936,503
Due from banks, net	82,445,007	-	-	-	-	82,445,007
Treasury bills, net	208,500,000	-	-	-	-	208,500,000
Direct credit facilities to customers, net	8,694,512	-	-	-	-	8,694,512
Investments, net	61,200	-	-	355,986	-	417,186
Total	379,281,350	-	-	355,986	-	379,637,335
Financial Liabilities						
Due to banks and financial institutes	1,782,790	-	-	612,381	-	2,395,171
Customers' deposits	334,016,034	-	-	0	-	334,016,034
Total	335,798,824	-	-	612,381	-	336,411,205
Contingent Liabilities, Commitments and Contra Accounts, Net	349,584	-	-	11,693,917	-	12,043,501

35.2. Liquidity Risk

Liquidity risk is the risk of Bank's incapability to meet its financial obligations when they fall due under normal circumstances. To limit such risk, the Bank's management in addition to its reliance on core deposit base; manages assets with required liquidity in mind, monitors future cash flows and liquidity on a daily basis and arranges diversified funding sources as available in the current circumstances in compliance with Central Bank of Yemen circular no. 5 of 2009 on Management of Liquidity Risk.

Liquidity Ratio

The Central Bank of Yemen, in its Circular No. (3) of 1997 on Liquidity Ratio requires that banks maintain a percentage of assets that could be liquefied to meet their obligations not less than 25%.

As at 31 December 2023, the Bank's liquidity ratio was 98%, considering its obligations are represented by the total of its financial liabilities and its contingent liabilities and commitments, in the light of the prevailing circumstances was (31 December 2022: 101%).

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Maturity Gap

The maturity gap is a measure of Bank's capability to settle its liabilities from its assets for the same maturity period and is represented by the difference between the Bank's assets and liabilities for a certain maturity period. As at 31 December 2023, the maturity gap was as follows:

	2023				
	<i>Not exceedingss than 3 months YR'000</i>	<i>3 -6 Months YR'000</i>	<i>6 months - 1 year YR'000</i>	<i>More than a year YR'000</i>	<i>Total YR'000</i>
Assets					
Cash on hand and mandatory reserve balances at Central Bank of Yemen	64,856,393	0	0	0	64,856,393
Certificates of deposit at Central Bank of Yemen	0	0	37,000,000	4,000,000	41,000,000
Due from banks, net	314,231,357	0	0	0	314,231,357
Treasury bills, net	0	133,500,000	30,000,000	45,000,000	208,500,000
Direct credit facilities to customers, net	8,252,552	3,627,539	175,003	10,464,531	22,519,625
Investments, net	0	0	0	1,440,306	1,440,306
Other assets	0	0	0	54,156,219	54,156,219
Total	387,340,302	137,127,539	67,175,003	115,061,056	706,703,900
Liabilities and Equity					
Due to banks and financial institutes	7,069,965	0	0	0	7,069,965
Customers' deposits	88,912,901	149,112,012	117,626,691	276,548,135	632,199,738
Other liabilities	873,051	1,464,156	1,154,997	26,490,882	29,983,086
Equity	0	0	0	37,451,111	37,451,111
Total	96,855,917	150,576,168	118,781,687	340,490,128	706,703,900
Maturity gap	290,484,385	(13,448,629)	(51,606,684)	(225,429,072)	0

2022

Assets					
Cash on hand and mandatory reserve balances at Central Bank of Yemen	47,644,127	-	-	-	47,644,127
Certificates of deposit at Central Bank of Yemen	-	10,936,503	21,000,000	-	31,936,503
Due from banks, net	82,445,007	-	-	-	82,445,007
Treasury bills, net	-	133,500,000	30,000,000	45,000,000	208,500,000
Direct credit facilities to customers, net	3,711,739	1,604,343	160,940	3,217,490	8,694,512
Investments, net	-	-	-	417,186	417,186
Other assets	-	-	-	16,427,127	16,427,127
Total	133,800,873	146,040,846	51,160,940	65,061,803	396,064,462
Liabilities and Equity					
Due to banks and financial institutes	2,395,171	-	-	-	2,395,171
Customers' deposits	99,917,467	15,175,887	30,599,486	188,323,194	334,016,034
Other liabilities	1,568,252	238,193	480,273	21,447,488	23,734,205
Equity	-	-	-	35,919,051	35,919,051
Total	103,880,890	15,414,080	31,079,759	245,689,733	396,064,462
Maturity gap	29,919,983	130,626,766	20,081,181	(180,627,930)	-

35.3. Interest Rate Risk

Interest rate risk is the risk of effect of interest rates changes on future cash flows or value of financial instruments. The Bank performs a number of measures to limit the effect of such risk to the minimum level by:

- Correlating interest rates on borrowing with interest rates on lending;
- Considering the discount rates for different currencies when determining interest rates;
- Controlling the matching of maturity dates of financial assets and liabilities.

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Average Interest Rates on Financial Instruments

	2023						2022					
	Yemeni Rial %	US Dollar %	Sterling Pound %	Euro %	Saudi Rial %	UAE Dirham %	Yemeni Rial %	US Dollar %	Sterling Pound %	Euro %	Saudi Rial %	UAE Dirham %
Assets												
Mandatory reserve balances at Central Bank of Yemen	-	-	-	-	-	-	-	-	-	-	-	-
Treasury bills, net	16.6	-	-	-	-	-	16.5	-	-	-	-	-
Certificates of deposit	20.0	-	-	-	-	-	20.0	-	-	-	-	-
Due from banks - fixed deposits	-	2.77	3.08	-	4.25	3.78	-	1.09	0.84	-	1.09	0.86
Direct credit facilities to customers, net	21	1100.	-	-	-	-	21	11	-	-	-	-
Liabilities												
Due to banks and financial institutes	-	-	-	-	-	-	-	-	-	-	-	-
Customers' deposits	15	0.25	0.25	0.25	0.25	-	15	0.25	0.25	0.25	0.25	-

Interest Rate Sensitivity and Accumulated Interest Rate Sensitivity Gaps

	2023					
	Not exceeding 3 months YR'000	3 - 6 months YR'000	6 months - 1 year YR'000	More than a year YR'000	Non interest sensitive YR'000	Total YR'000
Assets						
Cash on hand and mandatory reserve balances at Central Bank of Yemen				-	64,856,393	64,856,393
Certificates of deposit at Central Bank of Yemen	0	0	37,000,000	4,000,000	-	41,000,000
Due from banks, net	314,230,531	0	0	-	826	314,231,357
Treasury bills, net	0	133,500,000	30,000,000	45,000,000	0	208,500,000
Direct credit facilities to customers, net	8,252,552	3,627,539	175,003	10,464,531	0	22,519,625
Investments, net	0	0	0	-	1,440,306	1,440,306
Other assets	1,218,485	0	-	-	51,641,836	52,860,321
Capital works in progress	0	0	-	-	1,295,899	1,295,899
Total	323,701,568	137,127,539	67,175,003	59,464,531	119,235,260	706,703,901
Liabilities and Equity						
Due to banks and financial institutes	0	0	0	-	7,069,965	7,069,965
Customers' deposits	88,912,901	149,112,012	117,626,691	-	276,548,135	632,199,739
Other liabilities	873,051	1,464,156	1,154,997	-	13,147,854	16,640,058
Other provisions	0	0	0	-	13,343,028	13,343,028
Equity	0	0	0	-	37,451,111	37,451,111
Total	89,785,952	150,576,168	118,781,688	-	347,560,093	706,703,901
Interest rate sensitivity gap	233,915,616	(13,448,629)	(51,606,684)	59,464,531	(228,324,833)	-
Accumulated interest rate sensitivity gap	233,915,616	220,466,986	168,860,302	228,324,833	-	-
	2022					
	Not exceeding 3 months YR'000	3 - 6 months YR'000	6 months - 1 year YR'000	More than a year YR'000	Non interest sensitive YR'000	Total YR'000
Assets						
Cash on hand and mandatory reserve balances at Central Bank of Yemen	-	-	-	-	47,644,127	47,644,127
Certificates of deposit at Central Bank of Yemen	-	10,936,503	21,000,000	-	-	31,936,503
Due from banks, net	82,444,571	-	-	-	436	82,445,007
Treasury bills, net	-	133,500,000	30,000,000	45,000,000	-	208,500,000
Direct credit facilities to customers, net	3,711,739	1,604,343	160,940	3,217,490	-	8,694,512
Investments, net	-	-	-	-	417,186	417,186
Other assets	186,824	-	-	-	15,648,194	15,835,018
Capital works in progress	-	-	-	-	592,109	592,109
Total	86,343,134	146,040,846	51,160,940	48,217,490	64,302,052	396,064,462
Liabilities and Equity						
Due to banks and financial institutes	-	-	-	-	2,395,171	2,395,171
Customers' deposits	99,917,467	15,175,887	30,599,486	-	188,323,194	334,016,034
Other liabilities	1,568,252	238,193	480,273	-	14,727,500	17,014,218
Other provisions	-	-	-	-	6,719,988	6,719,988
Equity	-	-	-	-	35,919,051	35,919,051
Total	101,485,719	15,414,080	31,079,760	-	248,084,904	396,064,462
Interest rate sensitivity gap	(15,142,585)	130,626,766	20,081,180	48,217,490	(183,782,852)	-
Accumulated interest rate sensitivity gap	(15,142,585)	115,484,183	135,565,363	183,782,852	-	-

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35.4. Currency Risk

Currency risk or exchange rate risk is the risk of fluctuation of fair value or future cash flows of a financial instrument evaluated in a foreign currency due to changes in exchange rates. Due to the nature of the Bank's activities, it deals in different foreign currencies; thus it is exposed to currency risk. The Central Bank of Yemen, in its periodical Circular No. 6 of 1998 on Exposure to Foreign Currencies Risk, requires the Bank not to keep a currency position of more than 25% for different currencies and 15% for a single currency to capital and reserves as defined in the periodical circular no. 2 of 1997 on Capital Adequacy Ratio, whether the position is long or short.

Foreign Currencies Exchange Rates

The Bank conducts transactions at the prevailing market exchange rates for the US dollar and other foreign currencies traded in the Yemeni market, based on the exchange rate bulletin issued by the Central Bank from its headquarters in Aden. This is in accordance with the officially adopted exchange rate management policy based on a floating system. The Bank values its foreign currency positions in its financial statements according to the exchange rate bulletin issued by the Central Bank as of December 31, 2023 (YER 1,592.40 per US dollar), in compliance with the decision issued by the Office of the Governor of the Central Bank of Yemen, Head Office/Aden, which approved the prevailing market exchange rate and cancelled the use of a fixed exchange rate of YER 400 per US dollar, dated November 22, 2022.

Foreign Currencies Positions

Using exchange rates resulting from the procedure followed by the bank, mentioned above, for evaluating foreign currencies positions, the ratio of net foreign currencies positions of the Bank to core capital and reserves at 31 December 2023 were as follow:

	2023				2022
	Assets Long position	Liabilities Short position	Net foreign currency positions	Ratio to core capital	Ratio to core capital
	YR'000	YR'000	YR'000	%	%
Sterling Pound	28,700,223	6,014,993	22,685,230	72	19
UAE Dirham	11,465,849	3,416,228	8,049,621	25	8
US Dollar	347,823,795	340,909,378	6,914,417	22	(29)
Euro	17,357,704	18,851,584	(1,493,880)	(5)	(12)
Saudi Rial	36,978,037	68,165,154	(31,187,117)	(98)	(22)
Others	252,290	-	252,290	1	1
Total	442,577,898	437,357,337	5,220,561	16	(35)

Other currencies are Omani Rial, Swiss Franc and Japanese Yen.

Management is working on addressing such exceedings in compliance with ratios specified in the related Central Bank of Yemen circular, under the situation the Country is going through (Note 1).

Impact of Changes in Fair Value of Currency (Foreign currencies Sensitivity Analysis)

To calculate the impact of changes in fair value of currency, according to Central Bank of Yemen, Head Office/ Aden instructions, the Bank took in account the exchange rates it uses in evaluating significant foreign currencies positions and the average exchange rate of these currencies in accordance with market rates as per local specialised websites shown below:

	2023				
	USD	Sterling pound	Euro	Saudi Riyal	UAE Dirham
Exchange rate in YR:					
Used at the Bank	1,529.4	1947	1,688	407.84	416.41
At market	1,530	1948	1,688	402.10	416.10
Difference	0.6	(1)	0	5.74	0.31
	2022				
Exchange rate in YR:					
Used at the Bank	400	539	402	106.2	108.9
At market	1200	1445.5	1275.5	316	326.5
Difference	(800)	(906.5)	(873.5)	(212.8)	(217.6)

Based on the exchange rates above, the following table shows the impact of decrease of Yemeni Rial exchange rate against significant foreign currencies and the expected effect on statements of comprehensive income and changes in equity, with all other factors held constant.

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*Impact on statements of comprehensive income
and changes in equity increase / (decrease)*

	2023 YR'000	2022 YR'000
Sterling pound	(11,650)	10,037,745
UAE Dirham	5,993	5,278,408
US Dollar	(2,713)	(18,275,400)
Euro	—	(8,075,718)
Saudi Rial	(438,932)	(14,275,901)
Total	(447,302)	(25,310,866)

36. CAPITAL MANAGEMENT

The primary objectives of the Bank's capital management are to ensure that the Bank complies with external imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios. The capital adequacy is monitored by Bank's management on a quarterly basis employing techniques based on the guidelines approved by Central Bank of Yemen for supervisory purposes. The required information is filed with the Central Bank of Yemen on a quarterly basis.

Capital Adequacy

Capital adequacy is Bank's capability to settle its obligations and confront any losses that might arise in the future. It is represented by the ratio of capital to its risks. The Central Bank of Yemen, in its circular no. 2 of 1997 amending circular no. 3 of 1996 on Minimum Limit of Capital Ratio to Risk - Weighted Assets (Capital Adequacy), requires the Bank to maintain a ratio of total capital to the risk - weighted assets at or above 8%.

In accordance to provisions of the circular above, the total capital of the Bank is divided in two tiers:

- Core capital: which comprises the paid capital, statutory and general reserves. Investments in any other local bank or financial company are deducted from core capital.
- Capital cushions: which comprises the surplus on revaluation of property, plant and equipment reserve, cumulative changes in fair value reserve, general provision for impairment of direct and indirect credit facilities and provision for impairment of receivables and other assets.

The risk - weighted assets are measured by means of a hierarchy of four risk weights classified according to the four levels of credit, market and operation risks associated with each asset, taking into account any eligible collateral or guarantees.

A similar treatment is adopted for off financial position items risks, with some adjustments to reflect the more contingent nature of potential losses.

The Bank complies with all the externally imposed capital requirements to which it is subject.

For the year ended 31 December 2023, capital adequacy ratio was as follows:

	2023 YR'000	2022 YR'000
Capital		
Core capital	36,466	34,550
Capital cushions	753	228
Total capital	37,218	34,778
Risk- weighted assets		
On statement of financial position	284,866	69,223
Off statement of financial position	2,189	608
Total risk - weighted assets	287,055	69,831
Adequacy ratio of:		
Core capital	%13.00	50%
Total capital	%13.00	50%

37. TRUST ACTIVITIES

The Bank does not undertake any activities related to the conservation and management of assets for or on behalf of third parties except for the Housing Project which is managed by the Bank on behalf of the State in accordance with the minutes of the expanded meeting held on 6 April 2000 and approved by H.E. Minister of Finance on 29 April 2000.

The Housing Project was established in Abdul Aziz Abdul Wali area, Al-Mansoura, Aden City, in accordance with Council of Ministers Decree No. 52 of 1988 with a self -financing system from the value of apartments sold in cash and installments to build a number of housing units for Yemeni immigrants and allocating some for the Ministry of Construction and Housing and

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entitled employees of the National Bank of Yemen. The Bank keeps these accounts of the Housing Project in USD and YR as contra accounts.

38. CAPITAL COMMITMENTS

	2023 YR'000	2022 YR'000
In Yemeni Rial	406,030	394,156
In US Dollar	0	-
In Euro	0	-
Total capital commitments	406,030	394,156

39. LEGAL STATUS AND CONTINGENT ASSETS AND LIABILITIES

During the year ended 31 December 2023, the Bank had cases filed against non performing customers for not paying their debts and cases filed against the Bank by customers. While for some cases the verdict was in favor of the Bank, the related legal procedures have not been completed, yet. Some other cases are still in concerned court. Management has made adequate provisions for impaired loans.

40. COMPARATIVE FIGURES

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information. Several amounts of the prior year have been reclassified to conform to the presentation in the current year.

41. SUBSEQUENT EVENTS

41.1. The Bank's Board of Directors' Approval of the Bank's Audited Financial Statements for the Year 2022

On October 1, 2024, the Bank's Board of Directors held a session to discuss the audited financial statements of the Bank for the year 2022, which were approved by management on the same day. The Board of Directors subsequently approved the audited financial statements for the fiscal year 2022 in accordance with its Resolution No. (46) of 2024. On October 12, 2024, management submitted the audited financial statements for the year ended December 31, 2022, to His Excellency the Minister of Finance, representing the Government as the Bank's owner.

41.2. Inauguration of "BANKS" system in other Branches of the Bank

In 2023, the Bank launched the (Banks) system in several of its branches located in Ataq, Zara, Al-Dala'a, and Rusod. The rollout of the system continued in additional branches during 2024.

42. APPROVING THE FINANCIAL STATEMENTS

The management approved these financial statements on --/--/2025, and it was decided to submit them to the Bank's Board of Directors and the Minister of Finance, the representative of the Government-owner of the Bank, at a subsequent period.